

4/15/77 [2]

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WITHDRAWAL SHEET (PRESIDENTIAL LIBRARIES)

FORM OF DOCUMENT	CORRESPONDENTS OR TITLE	DATE	RESTRICTION
memo	From The Vice President to The President Re: meeting with Prime Minister Vorster (5pp.) / attached to memo from Rick Hutcheson Brzezinski <i>open 8/30/06</i>	4/15/77	A
memo with attachment	From Zbigniew Brzezinski to The President Completion of EPG work on PRM 8- North South Issues (17 pp.) / attached to memo from Rick Hutcheson to Ernie Preeg	4/15/77	A

FILE LOCATION

Carter Presidential Papers- Staff Offices, Office of the Staff Sec.-Pres.Hand-writing File 4/15/77 [2] Box 18

RESTRICTION CODES

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THE VICE PRESIDENT
WASHINGTON

~~SECRET~~

ACTION

Memo No. 366-77
April 15, 1977

MEMORANDUM FOR THE PRESIDENT

FROM: The Vice President *WJ*
SUBJECT: My Meeting with Vorster

We agreed to await preliminary reactions to Owen's initiative on Southern Rhodesia and the South African reception to the five-power demarche on Namibia before getting back to Vorster concerning a meeting with him. The reactions to date show that progress on Southern Rhodesia and Namibia is possible, but not promising.

On Southern Rhodesia,

- None of the nationalist leaders actually rejected the Owen proposal. Presidents Nyerere and Machel are optimistic. Vorster and Smith did not turn Owen down either and Smith even told Owen that he might participate in preparations for a constitutional conference. Owen himself is hopeful.
- But, the nationalists remain deeply divided and may have no interest in coming together to support Owen. And, while the nationalists didn't say "no," they certainly didn't say "yes."
- Vorster made no commitment to pressure Smith into accepting Owen's plan.
- Owen has not been able to answer the question asked by each person with whom he has met; namely, what would happen if Smith did not

DECLASSIFIED

NLJC-2004-114
8/18/06
BY: 12 NARA, DATE 8/30/06

~~SECRET~~

~~SECRET~~

accept whatever arrangement may be reached? Moreover, a recent report from our Embassy in London states that even the British cabinet has not yet given Owen the green light to proceed on a conference without Smith in attendance.

- While this may be unduly cautious, it is conceivable that the British Parliament, long saddled with the Southern Rhodesian problem, may seek simply to wash its hands of it through enabling legislation. Without proper measures taken beforehand, this could result, by virtue of Owen's efforts to involve us significantly, in the U.S. being seen as having a far greater responsibility, one which we have thus far, thankfully, avoided. Thus, the pressures on the U.S. would be tremendous.
- Although we continue to support Owen's objectives, he unfortunately has been rather ambiguous about a U.S. military role in Southern Rhodesia. In reply to a press inquiry in Capetown April 13, Owen said, "Certainly UK troops would not be sent." He added that he doubted "whether the U.S. Congress would be keen on sending U.S. troops. This was one of the difficult questions to be worked out."
- Nyerere fears that a U.S. role at the conference could induce a Soviet demand for more participation in the settlement.

On Namibia,

- Vorster told the five Western ambassadors that the Namibians, i.e., the Turnhalle Conference, had primary responsibility for the future of Namibia, but, within that framework, he agreed to have the contact group meet with his representatives.
- Yet, Dirk Mudge, white leader of the Turnhalle Conference, in a move which may well have been orchestrated with the South

~~SECRET~~

~~SECRET~~

Africans, has rejected a conference or having elections in Namibia until an interim government is established by the Turnhalle Conference.

Thus, on Southern Rhodesia, Vorster has not said that he would apply pressure on Smith, and on Namibia, he has said that the basic decisions are not up to him -- hardly favorable signs. While my meeting with Vorster may offer some possibilities, the present situation certainly recommends the meeting being held outside South Africa, probably in Vienna, unless the South Africans are more forthcoming following the meeting with Bowdler.

I hope that the proposed telegram from you to Ambassador Bowdler, attached at Tab A, and approved by Cy and Zbig, will generate some more information concerning Vorster's intentions, while keeping our options open. In an effort to learn more, David Aaron also plans to meet with David Owen in London, April 18, should Owen be back by then.

RECOMMENDATION: That you approve the attached telegram.

_____ Approve _____ Disapprove

~~SECRET~~

DRAFT

~~SECRET~~

TO: AMCONSUL CAPETOWN IMMEDIATE
SUBJ: MEETING WITH PRIME MINISTER VORSTER
TAGS: PFOR US SF
CAPETOWN FOR EMBASSY
NODIS

*ok as
amended
JC.*

EYES ONLY AMBASSADOR BOWDLER FROM THE PRESIDENT

1. I WOULD LIKE YOU TO MEET AS SOON AS POSSIBLE WITH PRIME MINISTER VORSTER TO DISCUSS FURTHER MY MARCH 23 CONVERSATION WITH FOREIGN MINISTER BOTHA ABOUT SENDING AN EMISSARY TO MEET WITH THE PRIME MINISTER. I LOOK FORWARD TO LEARNING VORSTER'S REACTIONS TO THE FOLLOWING POINTS WHICH I WOULD LIKE YOU TO CONVEY TO VORSTER FROM ME:
2. I HAVE LEARNED OF THE PRELIMINARY SOUTH AFRICAN REACTIONS TO UK FOREIGN SECRETARY OWEN'S VISIT REGARDING SOUTHERN RHODESIA, AND TO THE WESTERN DEMARCHE ON NAMIBIA. THE UNITED STATES SUPPORTS THESE INITIATIVES. [COMPLETELY.] WE ARE PREPARED TO PLAY A ROLE IN A CONSTITUTIONAL CONFERENCE ON SOUTHERN RHODESIA, AND BELIEVE THAT THE FRAMEWORK ADVANCED ON NAMIBIA -- UN SECURITY COUNCIL RESOLUTION 385 -- OFFERS THE BEST ^{better} POSSIBILITY FOR RESOLVING THAT QUESTION PEACEFULLY, AND IN A MANNER ACCEPTABLE INTERNATIONALLY AND INTERNALLY.

~~SECRET~~

~~SECRET~~

3. I BELIEVE THAT IT COULD BE MUTUALLY PROFITABLE FOR A U.S. EMISSARY TO HAVE A FULL AND CANDID EXCHANGE OF VIEWS WITH VORSTER ON SOUTHERN RHODESIA, NAMIBIA, AND THE FUTURE POLITICAL EVOLUTION OF SOUTH AFRICA, ALL QUESTIONS FOR WHICH PRIME MINISTER VORSTER HAS AN IMPORTANT RESPONSIBILITY. MY EMISSARY WOULD SET FORTH OUR POSITION CONCERNING THE NEED FOR PROGRESS ON ALL THREE MATTERS, AND OUR BELIEF THAT U.S. RELATIONS WITH SOUTH AFRICA ARE APPROACHING A WATERSHED.

[I BELIEVE PROGRESS WOULD BE REPRESENTED, FOR INSTANCE, BY MR. SMITH PARTICIPATING CONSTRUCTIVELY IN THE CONSTITUTIONAL CONFERENCE PROPOSED BY DR. OWEN, AND BY SOUTH AFRICA

delete ASSURING THAT HE DOES SO. PROGRESS ALSO WOULD BE SHOWN BY SOUTH AFRICAN ACCEPTANCE OF UN SECURITY COUNCIL RESOLUTION 385 AS THE FRAMEWORK FOR SETTLING THE NAMIBIAN QUESTION, AND BY SOUTH AFRICA TAKING ITS RESPONSIBILITY FOR IMPLEMENTING IT. MY EMISSARY ALSO WOULD LIKE TO DISCUSS WITH VORSTER OUR VIEWS CONCERNING THE PROGRESSIVE AND PEACEFUL TRANSFORMATION OF SOUTH AFRICAN SOCIETY.]

4. PROGRESS ON THESE ISSUES WILL ALLOW US TO BUILD THE KIND OF POSITIVE RELATIONSHIP WE WOULD LIKE TO SEE BETWEEN OUR TWO GOVERNMENTS.

5. IF REAL PROGRESS CAN BE MADE AT SUCH A MEETING, I AM PREPARED TO HAVE A HIGH-LEVEL EMISSARY, CONCEIVABLY VICE PRESIDENT MONDALE, MEET WITH VORSTER.

~~SECRET~~

~~SECRET~~

6. SHOULD, ON THE OTHER HAND, IT BE UNLIKELY THAT A MEETING AT THIS TIME WILL PRODUCE SIGNIFICANT RESULTS, IT MIGHT, QUITE FRANKLY, BE PREFERABLE TO AWAIT A MORE PROPITIOUS MOMENT, AND CONTINUE OUR CONTACTS THROUGH NORMAL DIPLOMATIC CHANNELS.

7. I WOULD APPRECIATE IT IF HE WOULD CONVEY HIS OWN CANDID VIEWS TO ME THROUGH YOU. VORSTER MAY ALSO WISH TO USE THIS OCCASION TO GIVE YOU THE ASSESSMENT OF THE SITUATION IN SOUTHERN AFRICA WHICH FOREIGN MINISTER BOTHA TOLD ME HIS GOVERNMENT WOULD BE PREPARING FOR US.

8. FOR AMBASSADOR BOWDLER: SHOULD VORSTER RAISE THE QUESTION OF WHERE A MEETING WOULD BE HELD, YOU SHOULD REPLY THAT THE PLACE WOULD BE WORKED OUT DEPENDING UPON CIRCUMSTANCES EXISTING AT THE TIME. SHOULD HE SPECIFICALLY MENTION MEETING IN SOUTH AFRICA, YOU SHOULD SAY THAT THIS IS NOT EXCLUDED, BUT WOULD DEPEND UPON WHETHER SIGNIFICANT CONCRETE DEVELOPMENTS COULD BE ACHIEVED, POINTING OUT THAT THIS WOULD BE NEEDED IN ORDER TO PRESENT A POSITIVE FRAMEWORK FOR THE CONTACTS WITH SOUTH AFRICANS OF DIFFERENT RACES AND POLITICAL BELIEFS WHICH A HIGH-LEVEL EMISSARY WOULD HAVE TO HAVE DURING A VISIT TO SOUTH AFRICA. BEST REGARDS.

~~SECRET~~

4/15

News conference
re withdrawal
of \$50 rebate

THE WHITE HOUSE
WASHINGTON

4-77

Improvements (Now/future)

INFLATION - ENERGY

REBATE / OPTION BUS TAX

History \rightarrow Δ PARTNERSHIP

Jobs & Quick stimulus

Econ indicators \nearrow FEB/MAR \rightarrow JUNE

CONSUMER CONFIDENCE

DURABLE GROWTH

STANDARD DEDUCTION

PUB WKS - PUB JOBS - TRAIN - ANTI-CYCLICAL

CONTROL DEFICIT IN 1978

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Import quotas

High min wage

Unnecessary fed spending

Farm supports

Unbalanced budget

Regulation - Xport

Anti-trust

Environment protection

Productivity - Ag/bus

OSHA

Commodity reserves

Energy policy

Waste

ZBB

Goals - 7 1/2 % annually

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

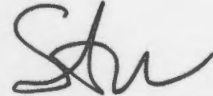
April 14, 1977
11:00 p.m.

MEMORANDUM FOR:

THE PRESIDENT

FROM:

STU EIZENSTAT



SUBJECT:

Brief Statement on Anti-Inflation
Program

Attached is a brief summary statement drafted by Jim Fallows' shop at our request, which you may wish to use to leadoff your press conference.

Also attached are talking points Charlie Schultze developed for your use at the press conference.

BRIEF STATEMENT ON ANTI-INFLATION PROGRAM

I'm announcing today a series of measures aimed at controlling and reducing inflation. Inflation is running at about six to six and a half percent a year. It's a terribly complex problem, which has resisted solution for more than a decade. There are no easy answers.

The Federal government will set an example and take the lead in fighting inflation, and I'm ready to make the hard decisions that have to be made along the way. But government can't do the job alone. We're looking to knock two percentage points off the inflation rate by the end of 1979 while pursuing our commitment to full employment -- and that's too big a job for government alone.

All segments of the American economy must cooperate and show restraint if we are to get inflation under control -- not just government but labor and business as well. It will take a united national effort. In the long run, that is the only path to more jobs, stable prices, and economic progress for all our people.

There are many parts to our program.

-- We are going to exercise stringent control over Federal expenditures so that as the economy returns to ~~full~~^{normal} employment, we'll have a balanced budget by fiscal year 1981.

-- We're looking carefully at all government programs and regulations to keep only the ones that serve the public and promote efficiency, and get rid of the ones that just add to costs.

-- I'll be announcing later this month the details of a tough program to restrain hospital costs, which have been going up much faster than the overall inflation rate.

-- We've reached agreement over the last few days with leaders of labor and business on a framework for consultation on how to achieve our main economic objectives, especially job creation and controlling inflation.

And I want to emphasize that our aim is to reduce both inflation and unemployment. We are not going to fight inflation by throwing people out of work. I totally reject that approach -- it's morally unacceptable and also ineffective.

This inflation program is part of our overall economic strategy, which aims at steady economic growth, reduced inflation, and higher employment -- I think they all go together.

THE WHITE HOUSE
WASHINGTON

April 14, 1977

MEMORANDUM FOR THE PRESIDENT

FROM: CHARLIE SCHULTZE
STU EIZENSTAT *Spn*
SUBJECT: Anti-Inflation Statement

Attached is a revised draft of the anti-inflation statement which reflects the work done on the earlier draft over the last day and one-half.

It contains three parts:

First, a summary section which lists, in a priority fashion, all of the major proposals; second, an educative section on the underlying causes of inflation; and third, a detailed description of each of the many proposals in your anti-inflation program.

The statement attempts to be very lean on overblown rhetoric. It does not promise an overnight success and stresses the difficult road ahead, which requires daily vigilance.

The statement has been extensively reviewed and improved by Jim Fallows' shop.

We will provide you with a very short anti-inflation statement to lead off your press conference tomorrow.

The last two paragraphs on Page 18 and all of Page 19, through the top of Page 20 represent language drafted by Secretary Blumenthal and already approved by Messrs. Meany and Reg Jones.

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EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON, D.C. 20506

April 14, 1977

MEMORANDUM FOR THE PRESIDENT

FROM: Charlie Schultze

SUBJECT: Briefing notes - anti-inflation

1. Current Inflation Situation

A. Consumer prices rising at an underlying rate of about 6 percent.

-- Consumer prices increased 6 percent in year ending in February, but at annual rate of 9.1 in last three months.

-- CPI, excluding food and fuel, rose 6.1 percent in 1976 and 7.5 percent in last three months.

-- The additional exclusion of mortgage interest and used cars yields 6.2 percent for 1976 and 6.4 percent for last three months.

B. Wholesale prices rose 6.8 percent in last year and at annual rate of 10.2 over last three months.

-- Farm prices are up at annual rate of 19.3 percent in last three months after falling 1.1 percent in preceding year.

-- Industrial prices are rising at a 7.9 percent annual rate in last three months.



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C. Wages and fringe benefits rose 7.8 percent during 1976. Appear to be continuing at about this rate.

Energy Policy and the Anti-Inflation Program

The impact on the inflation rate of any prospective increase in fuel prices has been a major consideration in the development of the President's energy program. While any price increases for energy obviously will complicate the problem of rising prices, we believe that the proposed energy program is consistent in the long run with our targets for reducing the inflation rate.

At present we cannot discuss the details of those proposals; but we will provide an inflation assessment of the program after its release. The inflation impact can be mitigated by: 1) staging future price increases over several years, and 2) providing for offsetting reductions in other prices (as in the case of the gas guzzler rebate).

Future price increases for energy would be substantial even in the absence of any efforts to conserve on demand and to stimulate supply.

2. Specific Policy Measures

- . Strengthening of Council on Wage and Price Stability
 - Emphasis on improving government's understanding of basic price, wage and cost trends in individual industries.

Includes autos, basic metals, chemicals, capital equipment industries, paper, textiles, lumber, and household appliances.

Product lines with sales in excess of \$1 billion, national markets.

-- Major bargaining agreements covering more than 5,000 workers -- about 20 major agreements annually.

Contract construction and smaller settlements with potential for establishing new wage increase patterns.

-- Continue to examine issues regarding cost and other barriers to the expansion of capacity.

They have the power to subpoena documents kept in the regular course of business and to require periodic reporting, but would rely to the maximum extent on voluntary cooperation. Desire a voluntary program to insure prompt responses and assistance of firms in preparing information in a format most useful to the Council.

. Early Warning System

Many industry specialists and experts on individual markets scattered throughout government agencies. CWPS will serve primarily as a central coordinating center.

- Insure that government actions do not aggravate bottleneck problems.
- Example that if government is to respond to a steel scrap shortage it must understand process of generation, collection, transportation and utilization of scrap.
- Combine detailed industry knowledge of agencies with broad overview perspective of Council.
- Evaluate effect of various "worst case" scenarios (power shortages, drought, capacity shortages, foreign supply disruptions, strikes).

. Commodity Reserves

- Grain stocks would be accumulated whenever prices fell to support levels.
- Grain reserves would be farmer held with federal subsidies for storage costs.
- U. S. would like to see an international wheat program in which U.S. reserves would be a component along with other nations.

. Capacity Expansion

- Investment incentives as part of tax reform.
- CWPS will work with individual industries to develop better estimates of planned additions to capacity, identify specific problem industries, and report to EPG about causes of slow capacity expansion, with suggested remedies.

- . Reform of Rate Setting Regulations

Airlines, first

Review surface transportation

Study where to move next.

- . Social Regulations

- Strengthen programs for full consideration of economic effects at early stage of regulation writing process where it counts, EPG as a review group; but will not create added delays.

- Regulatory agencies will publish an agenda of subjects on which they will be working in future months.

- Your regulatory review group will develop proposals on how we go about placing greater reliance on economic incentives and performance standards in federal regulations.

- Develop procedures to speed up permit issuance for new construction facilities. (e.g., EPA "new source" permits and nuclear power plants.)

- . Hospital Cost Containment

Restrict reimbursements to hospitals which hold increase in costs to about 9 percent -- adjusted for large changes in admissions.

Hospital costs have been rising at about 11 - 12 percent annually.

. Employment Program

- Expand job training -- first steps in stimulus package
- Increase operation of computerized job bank.
- Continue current program to help disadvantaged workers, but also work closely with employers to fill the whole range of job vacancies.
- Shift emphasis of public service employment toward the low skilled, as unemployment rate declines.
- More comprehensive program will be developed by Secretary of Labor.

. Federal Procurement Policies

- Implement proposals of Commission on Federal procurement policies (1972).
 - (1) Greater emphasis upon advertising for competitive bidding
 - (2) Require formal statement of reason for use of sole source contracts.
 - (3) Standardize procurement requirements among agencies
 - (4) Emphasize the government will only provide cost reimbursements to contractors on the basis of the lowest cost source for materials and services.

Steel wage settlement

We do not yet have a final estimate of the cost of the recent steel settlement. It is probably about equal to or slightly below the auto settlement. It has a cost-of-living clause, and any estimate of its cost has to make assumptions about the future increase in the CPI. If the CPI rises at 6 percent per year, the steel settlement will probably average a 9 - 10 percent a year increase in wages and fringe benefits over the next three years.

I think you might say something like the following:

"When prices have been rising at a substantial pace it is not surprising that wages do also-- and vice-versa. This process is what keeps inflation going in periods of high unemployment. If every business firm and group of workers could simultaneously show some restraint in their wage and price decisions, then inflation could be reduced -- to everybody's gain. But who wants to take the first step alone? What we are trying to do, in collaboration with business and labor leaders, is to devise a set of procedures for a mutual effort in getting this process underway. It will be a very difficult and delicate undertaking. No one can guarantee

success. But I think we have reason to hope that labor, business, and government can work successfully together, under the arrangements we are beginning today, to develop methods of slowing down the inflationary spiral."

THE WHITE HOUSE
WASHINGTON

April 15, 1977

Jody Powell

The attached was returned in
the President's outbox. It is
forwarded to you for appropriate
handling.

Rick Hutcheson

cc: Tim Kraft

Re: Newsweek Interview

THE WHITE HOUSE
WASHINGTON

April 15, 1977

Tim -

This opportunity was
hand-carried in by Jody.

Rick

THE WHITE HOUSE
WASHINGTON

Note to Tim (only)
This ~~list~~
~~was~~
apparently by me
hand-carried
in by Today.

ACTION	FYI
	MONDALE
	COSTANZA
	EIZENSTAT
	JORDAN
	LIPSHUTZ
	MOORE
✓	POWELL
	WATSON

FOR STAFFING
FOR INFORMATION
✓ FROM PRESIDENT'S OUTBOX
LOG IN/TO PRESIDENT TODAY
IMMEDIATE TURNAROUND

ENROLLED BILL
AGENCY BILL
Staffing comments should go to Bert Carp within 48 hours; due from Carp to Staff Secretary next day.

CAB DECISION
EXECUTIVE ORDER
Staffing comments should go to Doug Huron within 48 hours; due from Huron to Staff Secretary next day.

ACTION	FYI
	ARAGON
	BOURNE
	BRZEZINSKI
	BUTLER
	CARP
	H. CARTER
	CLOUGH
	FALLOWS
	FIRST LADY
	GAMMILL
	HARDEN
	HOYT
	HUTCHESON
	JAGODA
	KING
✓	KRAFT
	LANCE
	LINDER
	MITCHELL
	POSTON
	PRESS
	B. RAINWATER
	SCHLESINGER
	SCHNEIDERS
	SCHULTZE
	SIEGEL
	SMITH
	WELLS
	VOORDE

MEMORANDUM

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE
WASHINGTON

April 14, 1977

TO : The President

FROM: Jody Powell *JP*

Newsweek has requested an interview on Thursday or Friday of next week (4/21 or 22). They would need about 30 minutes -- probably late in the afternoon. This is for their 100-day piece. I think it is extremely important that we give it to them to maintain some balance with Time. They will be doing a cover.

Approve

✓

Disapprove

They have also requested a photo of you in the Oval Office for their cover on Monday, Tuesday or Wednesday. This would only involve 5-10 minutes at most. Since it's a cover, I think we should approve.

Approve

✓

Disapprove

**Electrostatic Copy Made
for Preservation Purposes**

For your information, they will have a staff photographer working with the White House photographer to get pictures on one day next week. This will not involve any of your time.

JLP:cs

THE WHITE HOUSE
WASHINGTON

April 15, 1977

Tim Kraft -

I'll let you notify the four persons
of the lunches.

Rick Hutcheson

Re: Lunch with Messrs. Schultze,
Lance, Blumenthal & Burns

THE WHITE HOUSE
WASHINGTON

ACTION	FYI
	MONDALE
	COSTANZA
	EIZENSTAT
	JORDAN
	LIPSHUTZ
	MOORE
	POWELL
	WATSON

	FOR STAFFING
	FOR INFORMATION
X	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

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	AGENCY BILL
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	CAB DECISION
	EXECUTIVE ORDER
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*Mail to Tim:
I'll let you notify
the 4 persons
of 12, 1/2 hours*

ACTION	FYI
	ARAGON
	BOURNE
	BRZEZINSKI
	BUTLER
	CARP
	H. CARTER
	CLOUGH
	FALLOWS
	FIRST LADY
	GAMMILL
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	PRESS
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	SCHLESINGER
	SCHNEIDERS
	SCHULTZE
	SIEGEL
	SMITH
	WELLS
	VOORDE

THE WHITE HOUSE
WASHINGTON

4-14-77

To Tim

Schedule, ^{regular} monthly
Punch with me, Schultze,
Lance, Blumenthal &
Arthur Burns.

J.C.

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for Preservation Purposes

THE WHITE HOUSE
WASHINGTON

April 15, 1977

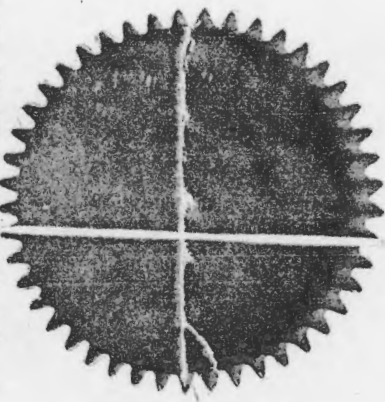
Mrs. Carter

The attached was returned in
the President's outbox. It is
forwarded to you for appropriate
handling.

Rick Hutcheson

Re: Final Report of Task Force
on Responsible Decisions
About Alcohol

ASK FORCE ON RESPONSIBLE DECISIONS ABOUT ALCOHOL



*Rosalyn - Monday
Someone on should
Health Comm this
go over I*

Final Report
(A Summary)

THE WHITE HOUSE
WASHINGTON

ACTION	FYI
	MONDALE
	COSTANZA
	EIZENSTAT
	JORDAN
	LIPSHUTZ
	MOORE
	POWELL
	WATSON

FOR STAFFING
FOR INFORMATION
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	SCHLESINGER
	SCHNEIDERS
	SCHULTZE
	SIEGEL
	SMITH
	WELLS
	VOORDE

THE WHITE HOUSE

WASHINGTON.

8 4/15/77

To Arthur French

I am delighted to learn of Allen's application for a commission under the U.S. Navy Health Professionals Scholarship Program and his interest in becoming a dentist.

Allen's application has been received by the Navy Recruiting Command here in Washington. The board begins its deliberation on April 25, 1977 and I am sure he will receive every appropriate consideration.

Sincerely,

Jimmy

Mr. Arthur French
325 Amberidge Trail
Atlanta, Georgia 30328

p.s. I wish him well -
J

x

THE WHITE HOUSE
WASHINGTON

April 15, 1977

Hamilton Jordan
Tim Kraft

The attached was returned in
the President's outbox and is forwarded
to you for your information and
appropriate action.

Rick Hutcheson

Re: Gov. David Borer.

THE WHITE HOUSE
WASHINGTON

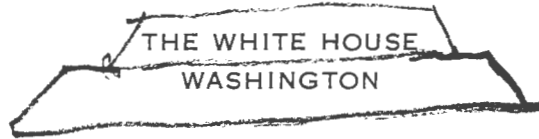
ACTION	FYI	
		MONDALE
		COSTANZA
		EIZENSTAT
	X	JORDAN
		LIPSHUTZ
		MOORE
		POWELL
		WATSON

	FOR STAFFING
	FOR INFORMATION
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	LOG IN/TO PRESIDENT TODAY
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		HOYT
		HUTCHESON
		JAGODA
		KING
	X	KRAFT
		LANCE
		LINDER
		MITCHELL
		POSTON
		PRESS
		B. RAINWATER
		SCHLESINGER
		SCHNEIDERS
		SCHULTZE
		SIEGEL
		SMITH
		WELLS
		VOORDE



Jack,
at present with the
plan as presented I will
be forced to strongly
oppose the plan and say
that the President has broken
his word. I would like
to be able to see him before
I leave town before this
course becomes necessary
for me.

Dane Brennan

Rm. 1128
Regan Hyatt.

THE WHITE HOUSE
WASHINGTON

April 14

Mr. President:

The attached is a note given to Jack Watson by Gov. David Boren. I thought you ought to see it.

Hamilton said "well, we did change our position" and suggested that you might call Boren. That seems to me preferable to a visit, if he's to be contacted at all.

Tim

*I haven't taken a
position yet -
J*

**Electrostatic Copy Made
for Preservation Purposes**

THE WHITE HOUSE
WASHINGTON

April 15, 1977

Hamilton Jordan
Tim Kraft

The attached was returned in
the President's outbox and is forwarded
to you for your information and
appropriate action.

Rick Hutcheson

Re: Gov. David Boren

THE WHITE HOUSE
WASHINGTON

April 14

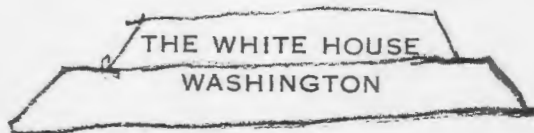
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position yet -
J*



Jack,
at present with the
plan as presented I will
be forced to strongly
oppose the plan and say
that the President has broken
his word. I would like
to be able to see him before
I leave town before this
course becomes necessary
for me.

David Brewster

Rm. 1128
Regency Hotel. -

no B.S.

THE WHITE HOUSE
WASHINGTON

April 15, 1977

MEMORANDUM FOR WHITE HOUSE OFFICE PERSONNEL

As you know, I have pledged my support to the 1977 Federal Savings Bond Campaign.

I would like to urge your enthusiastic support of this campaign. Our leadership and example will assist greatly in the achievement of the goals of this program.

Jimmy Carter

*p.s. I would like for
everyone to participate.*

Thanks -

J.

THE WHITE HOUSE
SIGNATURE MUST BE SECURED

4/15/77

TO:

DATE... 9:10 A.M.

The Honorable Griffin B. Bell
The Attorney General
Washington, D.C. 20530

NUMBER 005347

TIME REC'D 10:45

RECEIVED BY ... *SLW/Cerra*

DELIVERED BY ... *CH* ...
RICK HUTCHESON

RETURN RECEIPT ROOM ~~3-110-10-2~~

THE WHITE HOUSE
WASHINGTON

April 15, 1977

The Attorney General

The attached was returned in
the President's outbox. It is
forwarded to you for appropriate
handling.

Rick Hutcheson

cc: Bob Lipshutz
Jack Watson

Re: FBI Director

THE WHITE HOUSE
WASHINGTON

ACTION	FYI
	MONDALE
	COSTANZA
	EIZENSTAT
	JORDAN
X	LIPSHUTZ
	MOORE
	POWELL
X	WATSON

FOR STAFFING
FOR INFORMATION
FROM PRESIDENT'S OUTBOX
LOG IN/TO PRESIDENT TODAY
IMMEDIATE TURNAROUND

ENROLLED BILL
AGENCY BILL
Staffing comments should go to Bert Carp within 48 hours; due from Carp to Staff Secretary next day.

CAB DECISION
EXECUTIVE ORDER
Staffing comments should go to Doug Huron within 48 hours; due from Huron to Staff Secretary next day.

to Bell

ACTION	FYI
	ARAGON
	BOURNE
	BRZEZINSKI
	BUTLER
	CARP
	H. CARTER
	CLOUGH
	FALLOWS
	FIRST LADY
	GAMMILL
	HARDEN
	HOYT
	HUTCHESON
	JAGODA
	KING
	KRAFT
	LANCE
	LINDER
	MITCHELL
	POSTON
	PRESS
	B. RAINWATER
	SCHLESINGER
	SCHNEIDERS
	SCHULTZE
	SIEGEL
	SMITH
	WELLS
	VOORDE

THE WHITE HOUSE
WASHINGTON

4-15-77

To Griffin Bell

Please ask Irving
Shapiro to finish
the FBI director
recommendation on
time.

J. C.

THE WHITE HOUSE
WASHINGTON

April 15, 1977

Secretary Brown -

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Rick Hutcheson

Re: Fort Monmouth Transfers

PRESENT LAB ELEMENTS & PROJECT MANAGERS ORG-FUNCTION LOCATION		LOCATIONS OF ERADCOM LABORATORIES & PROJECT MANAGERS ELEMENTS FOR EACH ALTERNATIVE										PROPOSED FRADCOM LABS & PROJECT MANAGERS
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HDL-ORDNANCE	AD	AD	AD	FM	AD	AD	AD	AD	AD	AD	AD	ORD. ELECTRONICS
NVL- CSTA-LASER-PHOTO HDL-LASER	FB FM AD	FB FB FB	FB FB FB	FB FB FB	FB FB FB	FB FB FB	FB FM FM	FB FM FM	FB FB FB	FB FB FB	FB FB FB	NIGHT VISION AND OPTICAL DEVICES
PM-MALOR	FM	AD	AD	FM	FM	FM	FM	FM	FM	FM	AD	PM-MALOR
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ASA-SI/EW EWL-EW GEN MISSILE EW INTEL MAT	AH/VH FM WSMR MEADE	AD AD WSMR MEADE	VH VH WSMR MEADE	FM FM WSMR MEADE	FM FM WSMR MEADE	FM FM WSMR MEADE	FM FM WSMR MEADE	VH VH WSMR MEADE	FM FM WSMR MEADE	VH VH WSMR MEADE	FM* FM* WSMR* MEADE*	SIGINT & ELECTRONIC WARFARE
ASL- ENG. DEV	WSMR FM	WSMR AD	WSMR AD	WSMR FM	WSMR FM	WSMR FM	WSMR FM	WSMR FM	WSMR FM	WSMR FM	WSMR* FM*	ATMOSPHERIC SCIENCES
ETDL HDL-PHYSICS FLUIDICS	FM AD AD	AD AD AD	AD AD AD	FM FM FM	FM FM FM	FM FM FM	FM FM AD	FM FM AD	FM AD AD	FM AD AD	FM* AD AD	TECHNOLOGY & DEVICES

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WSMR - WHITE SANDS MISSILE RANGE, NM

○ INDICATES RELOCATION FROM ORIGINAL SITE

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FIGURE 4
HIGHLIGHTS OF REALIGNMENT
ALTERNATIVES

THIS FIGURE HAS BEEN

To Harold Brown
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J.C.

As a result of recommendations by the Army Materiel Acquisition Review Committee (AMARC), the Army has recommended the establishment of the U. S. Army Electronics Research and Development Command (ERADCOM). As stated in the Final Environmental Impact Statement on this subject, dated August 1976, we understand the goals of this realignment to be:

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- Consolidate related activities of ECOM and the Army Security Agency (ASA).
- Establish a new command, ERADCOM, having centralized planning and control for Army electronics R&D.
- Consolidate laboratory locations
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RECOMMENDATION

Based on a review of the Department of Army's stated goals and the provisions of each of the several alternatives being advanced, the Delegation recommends the Army adopt alternative B-3. This alternative best accomplishes the realignment goals, has the best payback, disrupts personnel least, affects the local economies less, and saves \$1.1 million per year more than the Army's "preferred alternative."

ACCOMPLISHMENT OF ARMY OBJECTIVES UNDER ALTERNATIVE B-3

The following is a summary of what would be expected if alternative B-3 were implemented:

- All elements, technical and administrative, under consideration are united into a single organization. This opens the way for potential improvements in both managerial and technical areas.
- Programs undergoing intensive emphasis (target encounter and electronic warfare) are subjected to minimum turbulence.
- There would be little disruption of the technological coupling between the elements at ECOM selected for ERADCOM and those other ECOM elements contributing to the Army's command, control, and communications systems.
- The Ordnance Electronics function would be colocated with a sister fuzing function, the Naval Surface Weapons Center, thereby greatly assisting the coupling between these elements and increasing the probability of effective joint-service technical interchange.
- Co-location of ECOM CSTA elements with related Harry Diamond technical elements provides considerable capability in technologies such as radar, special sensors, imagery data links, and foreign materiel simulation and exploitation. This aggregate capability should be better than either element possesses alone and can do much to enhance the Army's battlefield surveillance and target acquisition posture.
- Co-location of laser activities at Fort Monmouth provides for program flexibility and allows for significant improvement due to cooperative programs.
- There would be moderate reductions in personnel in the National Capitol Region.
- The bulk of the recent large capital investments for laboratory facilities in the Washington area (Harry Diamond Labs) would continue to be used for laboratory purposes.

ENVIRONMENTAL IMPACT

While none of the alternatives being considered in this realignment would have a severe environmental impact, several of the alternatives create strains on local transportation and educational facilities. The following statements are taken from the Final EIS, Vol. 1, p. vii - viii:

Alternative B-3: "No regionally significant impacts are identifiable as a result of this action."

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PERSONNEL TURBULENCE

The Department of the Army has indicated that it is concerned about the disruption in the lives of its personnel as the result of realignment actions. It is interesting, therefore, to contrast the Delegation's recommended alternative against the Army's preferred alternative.

	<u>B-3</u>	<u>B-6</u>
Positions Transferred:	23/156*	22/576

*The figure 23/156 represents 23 military personnel and 156 civilian personnel.

Nearly four times as many personnel are disrupted under B-6 carrying a significantly higher cost for relocation, terminal leave, severance pay, new recruitment expense, and equipment moving costs. Additionally, a cost that is very difficult to quantify is the loss of "corporate memory" as it is called in the private sector. The loss of expert personnel working on highly technical programs could set these programs back at a critical time for the Army and the defense posture of our country.

The Army has attempted to counter the loss of this expertise by suggesting that it offers a "fresh start." While a restructuring of an organization may result in greater efficiency, it is highly doubtful that the loss of a sizable portion of the workforce, combined with the disruption of moving the remaining employees and equipment to a new location, will bring this result. The "fresh start" fallacy must be recognized for what it is.

The result of moving nearly four times as many people from place to place under B-6 would be an organization that requires 50 more people to perform the same tasks than can be performed under B-3. This is reflected in the end strength figures provided in the EIS: Under B-3: 604/3518 and Under B-6: 604/3568. Clearly, B-3 provides a more efficient, less expensive organization which retains more of the existing valuable workforce.

ONE-TIME COSTS

	<u>B-3</u>	<u>B-6</u>
Construction Costs:	9.6	5.9
Other One-Time Costs:	4.7	7.1
	<hr/>	
Total One-Time Costs:	14.3	13.0
Personnel Cost Savings (ANNUAL)	7.6	6.5

While alternative B-3 requires an additional \$3.7 million in construction funds over B-6, other one-time costs are reduced by \$2.4 million since fewer people are transferred. Thus, for an initial investment of \$1.3 million more in one-time costs, B-3 puts an additional \$3.7 million to work in the construction industry. This will provide employment in the private sector and spur New Jersey's ailing economy.

The figures provided by the Department of the Army for annual personnel cost savings are significant. Alternative B-3 will realize \$1.1 million more annually in savings once the realignment is implemented. Therefore the \$1.3 million more B-3 would cost in one-time expense would be recovered in just over one year, and then each year thereafter B-3 would provide \$1.1 million more in savings than B-6.

PAYBACK

The computation of the payback factor is useful in determining how quickly each alternative will have recovered its one-time costs of implementation. We arrive at this figure by dividing the total one-time cost by the annual personnel cost savings.

$$\begin{array}{rcl} \text{B-3:} & \frac{14.3}{7.6} & = 1.88 \text{ years} \end{array}$$

$$\begin{array}{rcl} \text{B-6:} & \frac{13.0}{6.5} & = 2.0 \text{ years} \end{array}$$

The payback factors show that alternative B-3 pays for itself more quickly, and as indicated above, each year thereafter provides \$1.1 million more in annual personnel cost savings.

COMMUNITY ECONOMIC IMPACT

The Department of Army has indicated that the economic impact to communities affected by its realignment actions is of considerable importance in arriving at decisions. It is important then to look at these figures for the Fort Monmouth area for both the delegation's recommended alternative and the alternative preferred by the Department. The following data were supplied by the Army and reflects the cumulative affect to the Fort Monmouth area under both courses of action.

It is interesting to note also what the Department itself has said about the economic impact of these alternatives in its final EIS. The following excerpts are taken from that document, Vol. 1, p. vii - viii:

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B-6: "Alternative B-6 has a negative impact on the Ft. Monmouth area second only to that of alternatives A and A-1."

The data below represent the economic impact in FY1977 which the Army has determined would be the period with the most severe impact:

	(in millions)	
	<u>B-3</u>	<u>B-6</u>
Change in Business volume	-12.1	-42.7
Change in Personal Income	-12.2	-43.1
Change in local Investment	- 2.8	- 9.9
Change in employment (man years)	-1,115	-3,935

By the end of the implementation period (through FY 82) the following impacts will have been experienced:

	<u>B-3</u>	<u>B-6</u>
Change in Business volume	9.3	-62.8
Change in Personal Income	9.5	-63.5
Change in local investment	28.0	-14.6
Change in employment (man years)	871	-5,788

The economic impact of alternative B-6 would be disastrous to the Monmouth County area which presently suffers from a 9.2% unemployment rate and is struggling to recover from the loss of the Army's Signal School recently transferred to Georgia.

SUMMARY

Having carefully reviewed all aspects of the realignment alternatives the New Jersey Congressional Delegation holds that the best interests of the Army and the American public would be best served by the selection of alternative B-3. Not a single aspect of these studies tends to favor the Army's preferred alternative (B-6).

While the General Accounting Office review of this realignment has been completed, its formal report will not be available for several weeks. A review of the report presented to both the Department of the Army and members of Congress has confirmed that most of the Army's estimated figures^{are} reasonably accurate. The confirmation lends much strength to the delegation's position that on a cost basis alternative B-6 is far from the best course of action. The GAO investigation proved useful in determining that the Army's estimate^{for} constructing an addition to the Electronic Warfare Laboratory under several of the alternatives was overstated by over \$6 million. This determination resulted in the release of revised cost estimates by the Army on September 2, 1976 for the alternatives involving this construction.

Further, GAO determined that the cost estimates for preparing the laser test range at Fort A. P. Hill, required under several of the alternatives, was underestimated in the amount of \$627,000. The additional amount was deemed necessary to provide adequate security fencing around the test range. In light of this determination, the Department of Army has explored alternate locations for the test range that would avoid the necessity for this fencing under several of the alternatives.

The selection of alternative B-3 would eliminate the need to utilize the Vint Hill Farm Station and would allow the Army to further study the possible closure of this installation as mentioned in the Secretary's announcement of base closures and realignments of April 1, 1976. Since the development and research conducted by the Electronic Warfare Laboratory would not be enhanced by co-location with the operations functions of the Army and Defense Intelligence Community, it would appear to be in the best interest of the Army to further explore the closure of Vint Hill Farm Station. The disruption of the EWL capability to encounter enemy threats by relocating this vital research under alternative B-6 can be avoided under alternative B-3.

The co-location of the electronics development center with its logistics center would do much to enhance the technical interface required to expedite on-going programs. This co-location would be accomplished under alternative B-3.

The Department of Defense, responding to directives of the Congress, recently reaffirmed its goal of reducing defense presence in the National Capital Region by issuing a memorandum on August 26, 1976. Having reviewed this DoD statement, it is evident that the Army's proposal to establish ERADCOM at the present site of the Harry Diamond Laboratories in Adelphi, Maryland would violate both Congressional and DoD goals. The selection of alternative B-3 would promote the relocation of defense activities away from the NCR aligning the Army policy^{with}/these directives. The New Jersey delegation endorses this action and encourages the Army to comply with Congressional and DoD directives.

Upon careful consideration of the factors presented in support of the realignment of the Army's electronics research and development activities, we urge the Department to abandon its "preferred alternative" and establish the new command in accordance with the provisions of alternative B-3.

PRESENT LAB ELEMENTS & PROJECT MANAGERS ORG-FUNCTION LOCATION			LOCATIONS OF ERADCOM LABORATORIES & PROJECT MANAGERS ELEMENTS FOR EACH ALTERNATIVE										PROPOSED ERADCOM LABS & PROJECT MANAGERS
			A	A-1	B	B-1	B-2	B-3	B-4	B-5	B-6	C	
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INTEL MAT	MEADE	MEADE	MEADE	MEADE	MEADE	MEADE	MEADE	MEADE	MEADE	MEADE	MEADE	MEADE*	
ASL-	WSMR	WSMR	WSMR	WSMR	WSMR	WSMR	WSMR	WSMR	WSMR	WSMR	WSMR	WSMR*	ATMOSPHERIC SCIENCES
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Change in Personal Income	9.5	-63.5
Change in local investment	28.0	-14.6
Change in employment (man years)	871	-5,788

The economic impact of alternative B-6 would be disastrous to the Monmouth County area which presently suffers from a 9.2% unemployment rate and is struggling to recover from the loss of the Army's Signal School recently transferred to Georgia.

SUMMARY

Having carefully reviewed all aspects of the realignment alternatives the New Jersey Congressional Delegation holds that the best interests of the Army and the American public would be best served by the selection of alternative B-3. Not a single aspect of these studies tends to favor the Army's preferred alternative (B-6).

While the General Accounting Office review of this realignment has been completed, its formal report will not be available for several weeks. A review of the report presented to both the Department of the Army and members of Congress has confirmed that most of the Army's estimated figures^{are} reasonably accurate. The confirmation lends much strength to the delegation's position that on a cost basis alternative B-6 is far from the best course of action. The GAO investigation proved useful in determining that the Army's estimate^{for} constructing an addition to the Electronic Warfare Laboratory under several of the alternatives was overstated by over \$6 million. This determination resulted in the release of revised cost estimates by the Army on September 2, 1976 for the alternatives involving this construction.

Further, GAO determined that the cost estimates for preparing the laser test range at Fort A. P. Hill, required under several of the alternatives, was underestimated in the amount of \$627,000. The additional amount was deemed necessary to provide adequate security fencing around the test range. In light of this determination, the Department of Army has explored alternate locations for the test range that would avoid the necessity for this fencing under several of the alternatives.

The selection of alternative B-3 would eliminate the need to utilize the Vint Hill Farm Station and would allow the Army to further study the possible closure of this installation as mentioned in the Secretary's announcement of base closures and realignments of April 1, 1976. Since the development and research conducted by the Electronic Warfare Laboratory would not be enhanced by co-location with the operations functions of the Army and Defense Intelligence Community, it would appear to be in the best interest of the Army to further explore the closure of Vint Hill Farm Station. The disruption of the EWL capability to encounter enemy threat by relocating this vital research under alternative B-6 can be avoided under alternative B-3.

The co-location of the electronics development center with its logistics center would do much to enhance the technical interface required to expedite on-going programs. This co-location would be accomplished under alternative B-3.

The Department of Defense, responding to directives of the Congress, recently reaffirmed its goal of reducing defense presence in the National Capital Region by issuing a memorandum on August 26, 1976. Having reviewed this DoD statement, it is evident that the Army's proposal to establish ERADCOM at the present site of the Harry Diamond Laboratories in Adelphi, Maryland would violate both Congressional and DoD goals. The selection of alternative B-3 would promote the relocation of defense activities away from the NCR aligning the Army policy ^{with} these directives. The New Jersey delegation endorses this action and encourages the Army to comply with Congressional and DoD directives.

Upon careful consideration of the factors presented in support of the realignment of the Army's electronics research and development activities, we urge the Department to abandon its "preferred alternative" and establish the new command in accordance with the provisions of alternative B-3.

1:45 p.m.

THE WHITE HOUSE
WASHINGTON

April 14, 1977

MEETING WITH THE NEW JERSEY CONGRESSIONAL DELEGATION
ABOUT FORT MONMOUTH

Friday, April 15, 1977
1:45 p.m. (15 minutes)
The Cabinet Room

From: Frank Moore *FM*

I. PURPOSE

To meet with the New Jersey Congressional Delegation to discuss the transfer of certain commands from Fort Monmouth in New Jersey to Maryland and Virginia.

II. BACKGROUND, PARTICIPANTS AND PRESS PLAN

- A. Background: Rep. James Howard indicates that the President needs to hear both sides of the transfer proposal. Although the decision is probably final, the members of the delegation feel they have not been given fair treatment.
- B. Participants: The President, Senator Harrison Williams, Representatives James Florio, James Howard, Robert Roe, Joseph Minish, Matthew Rinaldo, Joseph Le Fante, Governor Brendan Byrne, Mayor Joseph Frankel of Fort Monmouth. From Governor Byrne's staff: Jerry English, Faribourz Fatimi. From Rep. Howard's staff: Nancy Blades, David Messing. From the staff: Frank Moore, Jack Watson, Dan Tate, Valerie Pinson, Bruce Kirschenbaum.
- C. Press Plan: White House photographer only.

III. TALKING POINTS

(Attached memorandum by Jack Watson)

Electrostatic Copy Made
for Preservation Purposes

THE WHITE HOUSE

WASHINGTON

MEMORANDUM TO: THE PRESIDENT

FROM:

Jack Watson *Jack*

April 15, 1977

RE:

New Jersey Congressional Delegation--
Fort Monmouth

This meeting is significant for two reasons:

1. The delegation is prepared to present data on costs, much of which was confirmed by a November 1976 GAO report, to refute the Army's decision.

2. The "Northeast-Midwest Coalition," which consists of 204 members of Congress from both parties, has recently written to you requesting a Presidential moratorium on installation realignments until a major regional economic analysis can be undertaken and completed. Their letter also states that the Fort Monmouth issue is a perfect example of the shortcomings of our present approach to decisions on base realignments.

Background

The Army, as part of a long-range reorganization of material acquisition process, is developing mission-oriented development and logistic centers. In this case, they want to create the Electronics Research and Development Command (ERADCOM) at Harry Diamond Labs in Adelphi, Maryland, and some other installations in the Washington area. The alternative presented by New Jersey, and one of the original 10 alternatives considered by the Army, would place the command center at Fort Monmouth where some of the facilities already exist. The Army's decision in this case was announced on March 18.

Although the Army prepared economic impact analysis of the alternatives, as all services do on base closings and realignments, the apparent philosophical position of DOD is that these decisions should be based on military operational needs alone and should not be affected by the economic impact of the decision on the region concerned.

This is the core of the larger issue which is illustrated by the New Jersey position today and which is a Presidential decision affecting all installation realignments. If you later decide that such economic impacts should be considered a major factor in these decisions, the remaining question is whether such a new policy would be effective from now on--post Fort Monmouth--or retroactive to when you took office (thereby temporarily reversing three or five major closings already announced).

I have been discussing this larger issue in some detail with Charlie Duncan and am meeting with him again today at noon. I will have a fuller briefing paper for you next week with specific recommendations.

Present Case

The only outside analysis completed on the Fort Monmouth issue was done by GAO which issued its report on November 12, 1976. GAO rarely makes recommendations but the following comparisons were made:

	<u>New Jersey Alternative</u>	<u>Army's Choice</u>
New Manpower Space Savings	284	243
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Business Volume Change	\$- 6.4	\$-58.9
Investment Change	\$- 1.9	\$- 5.7

As is quite apparent, a strong case can be made to support the economic preferability of the New Jersey position.

Options

Option I:

You could listen to New Jersey's presentation, commend them for their long and hard work but say that the decision was made by the Secretary of Defense and it is not your policy to individually review such issues.

Option II:

You could commend them and indicate that their concerns have been yours, that your staff has been discussing the broader issues with Defense and that you hope to make some decisions within the next two weeks which might, only might, affect Fort Monmouth.

THE WHITE HOUSE

WASHINGTON

April 14, 1977

TO: The President

FROM: Walter Wurfel, Pat Bario, Linda Peek

RE: Your Q & A Session with Non-Washington Editors
1:00 p.m. Friday, Cabinet Room 4/17/77

BACKGROUND

This is the third in the series of meetings to brief editors and broadcast news directors from outside Washington. They will meet you after morning sessions in which they will have been briefed by Lawrence Simons, Assistant Secretary at HUD; Harrison Wellford, and Bunny Mitchell. Following your meeting, they will be briefed on energy reorganization by John O'Leary. (An agenda is attached.)

PARTICIPANTS

This group of 28 persons from 21 states has heavy representation from urban areas. Twenty-two are newspaper editors or editorial page editors. Six are broadcasters. The National Black Radio Network and a black daily are represented. (A list of participants is attached.)

GROUND RULES

A photo pool will be allowed in the Cabinet Room for the first two minutes of the meeting. No White House reporting pool will be present at any of the sessions. The whole day is on the record.

This meeting has been moved to the Cabinet Room to allow you to sit at the table with the editors, as you did with the first, smaller, group back on March 4.

At your last meeting in this series on March 25, the press conference lasted 30 minutes, but the editors gathered around you for an additional 10 minutes. If you wish to give us further instructions, please check the appropriate space below:

- A full 30 minutes of questions and answers followed by 5 or 10 minutes of informal conversation as I leave the room is acceptable.
- Cut off questions after 25 minutes but keep the informal conversation for a few minutes after that.
- Have the editors remain seated as I leave the room after a conference of exactly 30 minutes.

THE WHITE HOUSE

WASHINGTON

A G E N D A

April 15 Briefing
Editors and News Directors

8:30 - 8:50 a.m.	Coffee and Danish
8:50 - 9:00 a.m.	Welcome, WALT WURFEL, Deputy Press Secretary
9:00 - 10:15 a.m.	LAWRENCE B. SIMONS, Assistant Secretary for Housing/Federal Housing Commissioner, Department of Housing and Urban Development "CARTER ADMINISTRATION HOUSING POLICY"
10:15 - 11:15 a.m.	HARRISON WELLFORD, Executive Associate Director for Reorganization and Management, Office of Management and Budget "GOVERNMENT REORGANIZATION"
11:15 - 11:30 a.m.	Break
11:30 - 12:30 p.m.	Lunch with MARTHA (Bunny) MITCHELL, Special Assistant to the President
12:30 - 12:40 p.m.	Break
12:40 - 1:00 p.m.	En Route to Cabinet Room
1:00 - 1:30 p.m.	Q and A with PRESIDENT CARTER
1:30 - 2:15 p.m.	Filing Time
2:15 - 3:15 p.m.	JOHN O'LEARY, Administrator, Federal Energy Administration "ENERGY REORGANIZATION"

APRIL 15 EDITORS AND NEWS DIRECTORS BRIEFING

STATE	OUTLET	REPRESENTATIVE	NEW HAMPSHIRE	WMUR-TV (Manchester) (major television station in state)	TOM BONNAR, News Director
ALABAMA	GENEVA COUNTY REAPER (Geneva) (weekly newspaper, editor is former president of the Alabama Newspaper Publishers Association)	ORSON SPIVEY, Pub./Editor	NEW JERSEY	THE RECORD (Bergen County) (key issue: unemployment)	ROBERT COMSTACK, Vice President/Executive Editor
CALIFORNIA	LOS ANGELES TIMES (the largest paper we've invited thus far; endorsed no one in '76; generally has supported us editorially; key issues: illegal aliens, drought)	GEORGE COTLIAR, Sr. Assistant Managing Editor	NEW MEXICO	Freelance Syndicated Broadcast Columnist (Sante Fe, NM) (Miller's commentaries are aired throughout New Mexico; key issues: water projects and drought)	ERNIE MILLS
FLORIDA	COCOA TODAY (Cocoa) (Gannett paper, moderate to conservative; most interested in promoting space center; key issue: unemployment)	BARNEY WATERS, Editor	NEW YORK	NEWSDAY (Garden City) (generally supportive, particularly concerned with "hip-liberal" issues; has supported strong environmentalist stand and position on shoe imports)	WILLIAM SEXTON, Associate Editor
"	MIAMI HERALD (Knight-Ridder paper, endorsed Ford, McMullan named editor of Herald late in '76; has supported you editorially on the water projects and emphasis on social welfare programs)	JOHN MCMULLAN, Editor	"	NATIONAL BLACK NETWORK (New York City)	VINCE SANDERS, News Director
ILLINOIS	LERNER NEWSPAPERS (chain of 40 weeklies that serve Chicago suburbs, circulation 350,000)	LOUIS LERNER, Publisher	OHIO	THE CLEVELAND PRESS (This paper, as part of the Scripps-Howard chain, endorsed Ford, but Boardman himself has repeatedly supported Carter policies--particularly in the area of human rights)	TOM BOARDMAN, Editor
"	CHICAGO DAILY DEFENDER (Martin has been active in the National Democratic Party, is a friend of Ben Brown; Defender was supportive during campaign; it is one of four Black dailies in U.S.)	LOUIS MARTIN, Editor	RHODE ISLAND	PROVIDENCE JOURNAL AND EVENING BULLETIN (was extremely supportive during first month in office, is less enthusiastic now; key issue: urban policy)	JOHN C. WATKINS, Editor
INDIANA	DAILY JOURNAL (Franklin) (small daily; rural area, supports outreach to grassroots)	ROBERT M. REED, Editor	TENNESSEE	MEMPHIS COMMERCIAL-APPEAL (generally supportive, particularly in human rights; is not supportive of universal registration aspect of election reform package)	MIKE GREHL, Editor
IOWA	DES MOINES REGISTER (endorsed Carter, generally supportive since election, particularly on farm policy and human rights; did not play Moscow talks as failure)	MICHAEL G. GARTNER, Editor	TEXAS	KTSM-TV (El Paso) " MARISALL NEWS MESSENGER (Marshall) (Arnold represents the entire Harte-Hankes chain; energy reorganization is key issue)	JEFFREY GATES, News Director
KENTUCKY	CENTRAL KENTUCKY NEWS-JOURNAL (energy a key issue; small daily)	JAMES CRAVENS, Editor/Pub.	"	FT. WORTH STAR-TELEGRAM (energy reorganization key issue)	JACK TINSLEY, Editor
LOUISIANA	NEW ORLEANS STATES-ITEM (only major daily in Louisiana that endorsed Carter; key issue: energy)	WALTER G. COWAN, Editor	"	EL SOL DE TEXAS (Dallas) (the largest Spanish weekly in U.S.; one of the few weeklies that subscribes to wire services)	JESUS GUTIERREZ, Editor/Publisher
MARYLAND	BALTIMORE SUN (endorsed Ford; key issues: urban policy, economy and government reorganization generally supportive, moderate)	JOE STERNE, Editorial Page Editor	WASHINGTON	WENATCHEE WORLD (moderate editorial policy; key issues: drought and water projects)	WILFRED WOODS, Editor
MICHIGAN	FLINT JOURNAL (Booth newspaper chain includes eight Michigan dailies; key issues: energy and unemployment)	RAYMOND GOVER, Editor	WEST VIRGINIA	HUNTINGTON HERALD DISPATCH (key issue: energy)	BILL SOUTHERLAND, Managing Editor
"	WWJ-TV/RADIO (Detroit)	THOMAS P. BECHERER, News Director			
MISSOURI	KSD-TV (St. Louis) (very good, positive coverage during campaign)	PETE VESEY, News Director			

THE WHITE HOUSE
WASHINGTON

April 14, 1977

*log in
4-15-77*

MEETING WITH THE NEW JERSEY CONGRESSIONAL DELEGATION
ABOUT FORT MONMOUTH

Friday, April 15, 1977
1:45 p.m. (15 minutes)
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III. TALKING POINTS

(Attached memorandum by Jack Watson)

THE WHITE HOUSE

WASHINGTON

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FROM: Jack Watson *Jack*

April 15, 1977

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THE WHITE HOUSE
WASHINGTON

Mr. President:

Stu's analysis of Doug Costle's memorandum on the Clean Air Act Amendments is attached.

Staff comments from Schultze, Lance, Warren, Siegel and Press are attached, as is Costle's original memo.

Rick

THE WHITE HOUSE
WASHINGTON

*from Pres
outbox
file*

cc to Melinda M/acc 77

1:30 p.m.

THE WHITE HOUSE

WASHINGTON

April 15, 1977

THE PRESIDENT HAS SEEN.

MEMORANDUM FOR THE PRESIDENT

FROM STU EIZENSTAT *Stu*

SUBJECT CONGRESSMAN DINGELL AND THE CLEAN AIR ACT

Congressman Dingell has requested a meeting with you before you reach a final decision on auto emissions. While I do not think that a meeting is necessary since his position is identical to the UAW/Auto industry's with whom we have met on numerous occasions, you may want to consider giving him a call since he will be an important actor in energy policy.

Dingell is relentless on the auto issue. I have met with him at some length, as have Doug Costle and Jack O'Leary. We have responded to the best of our ability to his numerous requests. Two items he has asked for are now outstanding:

1. an update of an earlier interagency study on the fuel economy and air quality impacts of the UAW recommended standards
2. a copy of Doug Costle's decision memo to you on Clean Air.

OMB and the agencies are still working on study update and Dingell has been told repeatedly that we will get it to him as soon as it is ready. As for his request for the briefing memo, I don't think it is reasonable, particularly since he asked to see it before it went to you.

Dingell may also claim that neither Jim Schlesinger or the Federal Energy Administration was consulted on the auto emissions issue. This is absolutely untrue -- Schlesinger and his staff have been involved since the beginning, and FEA has been thoroughly consulted and believes that Doug Costle's memo sets out the issues in a fair way.

All of this is just a substitute for what Dingell really wants -- Administration support for the UAW position. This is a question which you have not yet decided. Nevertheless, you may want to call him (1) so he can let off steam and (2) to let him know that you understand the concerns which he, the UAW and the industry have over this issue, and that you will review this option with care.

THE WHITE HOUSE
WASHINGTON

April 15, 1977

*Stu & Tim - Set up
mtg at 1:30
Sat.*

J.C.

MEMORANDUM FOR THE PRESIDENT

FROM STU EIZENSTAT
KITTY SCHIRMER

Stu

SUBJECT EPA MEMO ON AMENDMENTS TO THE CLEAN AIR ACT

This will summarize Doug Costle's recommendations and will provide my comments. I suggest, however, that you review the longer memorandum since these issues are both complicated and controversial. After you have had a chance to review this material a short meeting on these proposals with Costle, Schlesinger & Schultze may be helpful.

1. MOBILE SOURCES

Auto emissions: Your decision is bounded by the UAW/Industry proposal on the one hand, and the more stringent Congressional (Muskie/Rogers) proposals on the other. (See table below) EPA's recommendation comes between the proposals, but closer to the Congressional standards.

- The industry and the UAW claim that more stringent standards will reduce fuel economy and increase sticker prices. They also do not believe that the stricter standards have a public health justification.
- EPA, Muskie and Rogers believe industry overstates fuel economy and sticker price estimates, and that the health data, while something less than perfect, indicate a need for the strict standards. Also, it is clear that the technology to meet these standards is available.

**Electrostatic Copy Made
for Preservation Purposes**

Model Year	1978 HC/CO/NOx	1979 HC/CO/NOx	1980 HC/CO/NOx	1981 HC/CO/NOx	1982 HC/CO/NOx	1983 HC/CO/NOx
EPA Proposal	1.5/15/2	1.5/15/2	.41/9/1.5	.41/3.4/1	.41/3.4/1	.41/3.4/4*
UAW/ Industry	1.5/15/2	1.5/15/2	.41/9/2	.41/9/2	.41/9/1	.41/9/1
Conference Bill (1976)	1.5/15/2	.41/3.4/2	.41/3.4/2	.41/3.4/1	.41/3.4/1	.41/3.4/1**
California	.41/9/1.5	.41/9/1.5	.41/9/1.0	.41/9/1.0	.41/3.4/.4	.41/3.4/4

* Can go up to 1.0 if NOx non-compliance penalty paid

** .4 NOx retained as a research objective; Rogers' bill this year would require .4 NOx in the mid-80's.

Comment: I believe EPA's analysis of the trade-offs and technology issues involved in their proposal is sound. Their cost estimates have been reviewed by Dean Ragone of the University of Michigan School of Engineering (and consultant to the UAW). He says even though some uncertainty inevitably occurs the estimates are reasonable in any analysis of this sort. The industry, however, will violently disagree with the EPA proposal, and all but Ford claim that the costs of compliance and the fuel economy penalty are underestimated. As you know, the auto industry has not been entirely accurate in its past projections of costs -- in fact EPA's track record over the last 5 years has been far better than the industry's.

Senator Muskie will not be happy with EPA's recommendation to delay compliance with 1.0 grams per mile NOx until 1981. He feels strongly that this level should be met in 1980. This would require application of the three-way catalyst across the board, and EPA does not believe that the industry can handle this in 1980.

The EPA proposal tracks well with the California standards. California requires meeting each successive level one year before the nationwide standards apply, giving the industry a test period, and time to work out any bugs in the systems. By delaying any change from current (model year 1977) requirements till 1980, the EPA proposal gives the industry breathing room before having to make changes. I think this is fair, given that certification for 1979 model year cars will begin in a year or less. I recommend that you adopt the EPA suggestion.

Vehicle In-use Compliance: Even if cars meet the more stringent standards, the health-based air standards will not be met in all areas of the country due to poor maintenance and equipment deterioration over the life of the car. EPA recommends support for a provision of the House bill which would require annual inspection (akin to safety inspections) in 25 cities where air quality is the worst.

While such a program would be very unpopular politically, and requires substantial federal assistance (\$25-50 million per year for five years), EPA estimates it would reduce hydrocarbon emissions by 42%, carbon monoxide emissions by 59% and gasoline consumption by 2%. EPA also proposes an extended and strengthened warranty requirement for pollution control equipment, and a strengthening of their recall authority.

Comment: The difficulties with the proposal EPA makes are enormous. In most states, safety inspections are done at local gas stations rather than in central inspection stations, and it would be prohibitive to install the necessary equipment for an emissions test at a large number of inspection sites. The alternative, however, is to require either a rearrangement of the existing state systems, or require the car owner to go through two inspections.

While this is a very close call given the air quality benefits which would accrue to a mandatory inspection and maintenance program, I do not feel that it is reasonable or politically wise to require such a program now. EPA should actively promote these kinds of systems on a voluntary basis, and some federal funds (\$5 to \$10 million) should be made available. Without substantial public discussion of the air quality and fuel benefits of such a program, and a slower pace for phasing it in, I think we will have something akin to the furor which arose over transportation control plans (parking bans, etc.) on our hands.

2. STATIONARY SOURCES

In general, the EPA recommendations track with the Congressional consensus achieved in last year's conference bill.

Prevention of Significant Deterioration: Following last year's conference bill, EPA's proposal would limit the amount of new pollution in areas which are now cleaner than the air standards require. Clean areas would be divided into 3 classes, and allowable increment of additional

pollution designated for each class. Parks and wilderness areas would receive the most stringent protection. New stationary plants wishing to locate in one of these areas would have to demonstrate ability to control its emissions below the allowable increment.

Comment: I concur and recommend you adopt the EPA proposal.

Growth in Areas Violating Air Quality Standards: This is the so-called non-attainment problem, or how to handle the siting of new facilities in areas which are now and will continue to be in violation of the ambient air quality standards. EPA proposes that no new statutory requirements be levied until we have more information on the economic and growth impacts of various options now under study. In the interim, the current EPA policy (which requires a new facility to find offsetting emission reductions in the area before it can locate there) would continue in effect. This is the least stringent policy permitted under the current law. EPA will review this problem and report back to the Congress with a recommendation within one year.

Comment: I concur. You should know, however, that this is a serious problem with potentially large economic impacts. CEA, Treasury and CEQ should be heavily involved in this study, as Charlie Schultze recommends.

Compliance Date Extension and Penalty: EPA would be permitted to extend the compliance date for facilities unable to meet current deadlines, but these firms would pay a non-compliance fee to remove any competitive advantage accruing to non-compliance. This would provide EPA with an alternative to closing the plant down.

Comment: I concur. This is also a step forward in the regulatory reform area, using economic incentives rather than absolute regulatory clubs. Both Muskie and Rogers are interested in this.

Coal Conversion: Coal burning facilities would be required to meet applicable air quality standards immediately, and comply with state implementation plans by 1980. EPA would retain its current authority to certify compliance by a plant for which conversion is proposed.

Comment: While I concur that this is the right recommendation to make at this time, we should not underestimate the conflicts which may later arise between our coal conversion goals and our clean air goals. There probably will be a

number of plants which cannot convert because of air quality requirements -- at least until our coal cleaning technology improves substantially. This is an issue which we may want to come back to after we have had additional experience with a conversion program. Doug Costle has discussed this question at length with Jim Schlesinger and his staff, and both agree that the position now recommended is reasonable.

Emission Controls from New Facilities: EPA proposes that all new facilities be required to use best available control technology (BACT), and would ban the use of smoke stacks higher than good engineering practice requires. This impacts the coal conversion program since it would require all new plants to use scrubbers, at least until new technology is developed. It also means that whether or not a plant uses low-sulfur coal, it must apply BACT. CEA opposes this requirement on the grounds that BACT should be mandatory only where air quality standards require it. EPA argues that a deviation from a uniform BACT requirement will encourage use of low-sulfur western coal at the expense of eastern coal, and will use up air quality margins necessary to future growth. In addition, the House and Senate are both firmly opposed to a deviation from the uniform BACT requirement.

Comment: I concur with the EPA proposal, with two caveats:

(1) EPA should do all it can to make sure that costs are fully taken into account in determining what technology constitutes BACT;

(2) over the next year, EPA should review alternative proposals, with particular attention to the possible use of economic incentives and performance standards to achieve these goals.

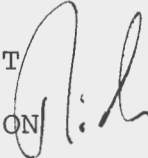
General Comment: There are a number of problems (particularly in stationary source area) in the Clean Air Act which are not and cannot be fully resolved with these amendments. Doug Costle is committed to reviewing these issues, including implementation and enforcement strategies, over the coming year and his testimony should reaffirm this. We may want to suggest both administrative and legislative changes at a later point. This should not, however, deter us from taking positions at this time. It is important to keep the mobile and stationary source issues jointed together -- once split it will be difficult to accomplish changes in either one.

MEMORANDUM

THE WHITE HOUSE
WASHINGTON

INFORMATION

14 April 1977

TO: THE PRESIDENT 
FROM: RICK HUTCHESON
SUBJECT: Staff Comments on Costle Memorandum
Regarding Clean Air Act Issues

1. KRAFT: No time for a meeting before Monday.
2. SCHULTZE: CEA has 3 criticisms of the EPA memo:
 - a. This is the first major Administration statement on environmental matters. We recommend that you commission an Administration review of the appropriate techniques for setting, enforcing and regulating air quality standards.
 - b. If Best Available Control Technology is mandated without regard to costs or benefits, there could be significant inflationary effects. Taken literally, BACT requires additional control technology to be added without regard to cost. We recommend this not be endorsed as a long-term solution for reducing emissions.
 - c. CEA opposes one-year write-off of pollution control costs. The Clean Air Act Amendments do not contain such a provision. CEA feels this is overly generous, and a poor precedent.
3. PRESS:
 - a. The requirement for BACT on stationary sources could become a disincentive for the development of improved technology for controlling coal emissions, and should be accompanied by an Administration commitment to encourage and support the improvement of this technology.
 - b. It is imperative that NOx automobile standards not have the effect of freezing engines into current technology. I propose, therefore, that the exemption on p. 6 be broadened to include new technology engines developed for higher efficiency.

4. SIEGEL (FOR JORDAN): Recommends being as responsible as possible to the UAW recommendations, and compromising where the EPA recommendations are apparently arbitrary. On hydrocarbons, where EPA is calling for implementation by 1979 or 1980, and the UAW is calling for 1980, recommend we go with 1980. On CO, where health data is ambiguous, recommends coming in between the EPA recommendation of 3.4 gpm standard and the UAW recommendation of 9.0. If the President decides to compromise, as above, the UAW should be made aware of the modifications made in light of their recommendations.
5. WARREN: CEQ agrees with the EPA positions on Amendments to the Clean Air Act, with these comments:
 - a. recommend you support the final auto standards proposed by EPA because: strict standards are required to force the development of advanced control technologies; less strict standards would signal a slackening of efforts to clean up the air, with serious implications for the health & welfare of many areas of the US; and there is little disagreement about the need for strict standards among congressional leaders.
 - b. the current methodologies used by EPA to project air quality with respect to hydrocarbons and oxides of nitrogen are not accurate enough to support the statements made about the number of areas exposed to ambient air qualify levels or people exposed to serious health risks. CEQ will work with EPA to develop improved methodologies.
 - c. the major issue in clean air regions (e.g., the West), is visibility. The proposed PSD standards will not prevent a continuing deterioration of visibility. We favor a stronger Administration commitment to deal with this issue. EPA should prepare within 18 months visibility standards and regulation for both new and existing facilities.



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

MEMORANDUM FOR: THE PRESIDENT
FROM: BERT LANCE *Bert Lance*
SUBJECT: Doug Costle's Memorandum on the Clean Air Act

I have reviewed Doug Costle's proposals for amending the Clean Air Act. I have the following comments for your consideration.

1. Inspection and Maintenance

The EPA position would require direct Federal mandating of Inspection and Maintenance. These programs may be appropriate in certain areas to attain the national air quality standards. However, I believe that the decision to utilize such mechanisms should be left to the States and local governments as is the case under current law. These are highly controversial and unpopular programs that may not be undertaken by the localities regardless of Federal law, in which case the Federal government would have to operate them directly. Failure to mandate these programs should clearly not imply any lack of determination to meet the standards within the required time frame.

I also recommend against the \$25-50 million per year grant program proposed by EPA. Current technical assistance can provide information upon which states could then implement procedures. Such funding would raise requests for grant funding of other control strategies such as transportation control plans. I am not convinced that Federal funding will significantly influence any State or local decision to undertake such programs.

2. Non Attainment

While I agree with EPA's approach to maintain their current tradeoff regulations pending further study, I believe that the Administration should take a strong stance in the testimony against actions, such as the recent amendment by Senator Bentsen, to weaken the non-attainment provisions of the existing statute and EPA's current regulations.

3. Strip Mining

The amendments to the Act should include a carefully drawn exemption for fugitive dust from strip mining operations. This would prevent the significant deterioration provisions from precluding development of strip mining due to temporary and fugitive dust emissions.

4. Thrust of the Testimony

The thrust of the Administration's testimony on the Clean Air Act should clearly emphasize the health implications and the stationary source issues rather than mobile source standards. The testimony should reflect the fact that 60-80% of future air quality problems will be due to stationary sources of hydrocarbons and oxides of nitrogen.

COSTLE MEMORANDUM



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

THE ADMINISTRATOR

MEMORANDUM

TO: The President

FROM: Douglas M. Costle

SUBJECT: Clean Air Act Issues

DATE: April 13, 1977

This memo outlines Administration positions I recommend you adopt on the Clean Air Act Amendments. It covers the legislation's key provisions regarding the automobile, stationary sources, coal conversion, and enforcement.

Jim Schlesinger supports these positions, as do most heads of other affected agencies. (Remaining differences are noted in this memo). Not only are these provisions consistent with the Administration's program of increased coal use, but they also provide for emissions controls that are necessary in some areas for increased coal use to be environmentally acceptable.

A strong coalition of auto manufacturers, their dealers, and the UAW oppose moving to the statutory CO (3.4 gpm) and NOx (0.4 gpm) standards, especially on a rapid schedule. Other industries strongly oppose stringent controls on coal combustion and on increased emissions from new facilities or expansion of existing ones. Many environmentalists will attack coal conversion. The Administration will have to lobby vigorously if some of these proposals, particularly those on auto standards and industrial growth in areas violating health standards are to succeed.

In view of the complexity, high visibility, and important economic and health implications of these issues, I urge that you let Jim Schlesinger and me supplement this memo with a briefing before I testify next Monday.

REGULATING THE AUTOMOBILE

Emissions Standards - I recommend the standards shown in the following table (which also shows the leading alternative proposals):

	First Model Year	Emission Standards in grams/mile(gpm)*			1985 Sticker Price Increases*****	Incremental Average Annual Maintenance
		HC	CO	NOx		
PROPOSED	1979 or 80	0.41	9.0	1.5	\$330	\$10
ADMINISTRATION	1981	0.41	3.4	1.0		
POSITION	1983	0.41	3.4	0.4**		
<u>Other Proposals Being Considered:</u>						
Rogers Bill	1980	0.41	3.4	2.0	\$330	\$10
	1981	0.41	3.4	0.4***		
Muskie Bill	1979	0.41	3.4	2.0****		
	1980	0.41	3.4	1.0	\$250	\$7
U.A.W. (Feb 77)	1980	0.41	9.0	2.0	\$185	\$7
	1982	0.41	9.0	1.0		
California Air	1977	0.41	9.0	1.5		
Resources Board	1980	0.41	9.0	1.0		
Proposal	1982	0.41	3.4	0.4	\$330	\$10

- * Each proposal in this chart would have the current standards (1.5 HC, 15 CO, 2.0 NOx) stay in effect until the first year shown.
- ** A NOx charge would be imposed for models between 1.0 and 0.4 gpm; the 0.4 gpm standard could be postponed or modified in 1980 if future health effects research or engineering developments warrant it.
- *** Waivers on NOx are possible through 1984.
- **** 10% of cars must meet the 1.0 gpm NOx standard in 1979.
- ***** Sticker prices are shown in 1977 dollars. These figures overstate the costs to consumers since sales prices are typically 12% lower than sticker prices. Roughly 55% of the sticker price increases reflect direct variable costs to meet emissions limitations, with the rest of the increases constituting dealer and manufacturer margin. The sticker price estimates in the table show the high end of the range of possible sticker price increases expected for each set of standards, assuming the use of an optimal technology with regard to fuel economy to meet all emissions control and fuel economy requirements. Auto manufacturers could alternatively build cars with lower vehicle sticker prices and worse fuel economy performance, but it is expected that in most cases the pressure of mandatory fuel economy standards will lead most manufacturers to adopt the more fuel-efficient emissions controls technologies.

I must warn you that these recommendations are in part judgmental. Many health effects cannot be quantified. Projecting the impact of alternative regulatory actions on air quality (and therefore on health) is a complex, error-prone process. Our estimates of the cost and fuel efficiency consequences of alternative approaches are relatively reliable, but these results become less certain as newer, relatively untried control equipment must be evaluated. (Thus, our cost estimates for 0.4 gpm NOx are less certain than those for 1.0 NOx.) Conservative assumptions help but do not eliminate this problem.

The following three sections explain the advantages and disadvantages of my recommendations and contrasts them to those proposed by the industry and the UAW. The UAW position is the least stringent option which will be seriously considered by the Congress. While the EPA and UAW positions differ slightly in terms of timing, the major difference is in terms of the ultimate standards required for carbon monoxide and nitrogen oxides.

Hydrocarbons - The UAW and we agree that the current statutory hydrocarbon standard for 1978 of 0.41 gpm is essential for protection of public health and should be implemented as rapidly as possible. EPA believes that this could be either 1979 or 1980, whereas the UAW recommends 1980.* At least 30 areas (with a population of 86 million) are projected to exceed the photochemical oxidant air quality standard at this level through the year 2000 even with a 0.41 standard.**

Hydrocarbons are an important precursor in the formation of photochemical oxidants. High oxidant levels are associated with aggravation of asthma and chronic lung disease, irritation of the respiratory tract in healthy adults, chest pain, headaches, increased eye irritation, and changes in lung function in healthy people.

Carbon Monoxide - I am recommending a 3.4 gpm standard for CO, but the choice between the 3.4 gpm level (supported by the Congressional committees and the environmentalists) and the 9.0 gpm level (supported by the auto companies and the UAW) is a very difficult one. The data on CO exposures and consequent health effects are incomplete and ambiguous.

* The 1980 UAW date presumably reflects the assumption that Congress will not pass the Amendments in time to allow 1979 compliance.

** Projections of air quality impacts of various emissions controls are not exact; they rest on the limited monitoring data and necessary simplifying assumptions in the air quality models. EPA has consistently used conservative assumptions and data in its analyses though, so these projections should underestimate the number and degree of violations of air quality standards.

Exposure to moderately high CO levels can affect both the central nervous system and the cardiovascular system. The chief quantifiable advantage of the 3.4 gpm standard is a reduction in the number of angina attacks. Moderately high CO levels may also affect those suffering from heart disease and from emphysema. CO exposure is also associated with hearing loss, impaired reflexes, and reduced visual accuracy (which may contribute to accidents).

Since last year's Conference Bill and this year's House and Senate Bills all go to 3.4 gpm. Administration support of a 9.0 gpm standard would be seen as undercutting Muskie and Rogers and would bring the Administration under strong attack from the environmentalists, who feel very strongly on this issue.

The chief argument for stopping with a 9.0 gpm CO standard is that going to 3.4 gpm would cost over \$600 million a year, a cost many may perceive as outweighing the measured benefits. Since the CO air quality problem will be largely corrected by 1990 with either set of standards, the justification of the 3.4 gpm standard must be based on reduced health impacts from 1980 to 1990. However, since the health effects (other than angina attacks) have not been measured, it is hard to formulate such a justification. Furthermore, going to a 3.4 gpm CO standard will make it somewhat more expensive to reach 0.4 gpm NOx.

I believe that in view of the nonquantifiable health risks, the additional control costs are warranted by the reduced likelihood of exposures to health - damaging CO levels; but you should recognize that a direct comparison of the quantifiable benefits and costs may make such incremental control appear suspect.

CO Air Quality Impact

	<u>EPA</u>	<u>UAW</u>
# of Areas (of 26 modelled*) with 1985 Air Quality		
Violations -- Without I/M	14	21
-- With I/M	8	11
# of 8-Hour Violations in 1985 -- Without I/M	290	709
-- With I/M	47	112
# of 8-Hour Violations in 1990 -- Without I/M	86	405
-- With I/M	17	63
# of 8-Hour Violations 1980-1990		
-- Without I/M	5,533	9,137
-- With I/M	1,910	2,523

* Although these modelling results show only the impacts in 26 metropolitan areas, there are also a number of smaller towns that will violate CO standards in 1985 if the UAW standards are adopted but will meet these standards if the EPA standards are adopted.

Nitrogen Dioxide. Whether or not you advocate a 0.4 NOx standard will be one of the most visible and controversial components of your Clean Air Act package, even if the standard is imposed as late as 1983 with an opportunity to reconsider in 1980 and with a provision (a NOx charge) that would allow some models to meet the standard a year or two late.

Although our health data is weak, the problems are almost certainly serious. Epidemiological studies indicate that levels of nitrogen oxide commonly found in the ambient air are associated with increased occurrence of acute respiratory illness (asthma, emphysema, etc.) in exposed families, disease in children and adults, significantly decreased lung function in children, and significantly increased bronchitis in elementary school children. Animal studies have shown that high concentrations result in increased deaths from respiratory infections and structural changes comparable to emphysema in lung tissue. Emissions of nitrogen oxides (NOx) are also precursors in the formation of nitrates and photochemical oxidants, which are also associated with various lung and respiratory problems.

Evidence is mounting that a new short-term (as opposed to annual average) standard is needed for nitrogen oxides. The National Academy of Sciences has recommended that EPA develop such a standard. The World Health Organization (WHO) recently reported a number of effects from short term exposure. These include enhanced bronchial constriction in sensitive populations and increased sensitivity to respiratory infections.

Short exposures to nitrogen dioxide can be expected to be highest in areas with high NOx emissions such as along busy highways. Daily peak readings of nitrogen dioxide seem clearly related to morning and afternoon rush hours. Consequently a short term standard would focus increased attention on automobile NOx emissions even though in most regions stationary sources are the chief sources of NOx.

Comparison of the air quality impacts of the EPA and UAW proposals shows that the EPA proposal would result in a slight improvement in nationwide nitrogen oxide levels, whereas the UAW proposal will result in a deterioration from current levels.

Nitrogen Dioxide Air Quality Impact

	<u>EPA</u>	<u>UAW</u>
# of Areas (of 14 modelled) with Average Air Quality Exceeding Standard in 1990 and 2000:	4	7
% Change in Annual Average Air Quality by 1990:	4% better	6% worse
by 2000:	6% better	11% worse
Population Living in Areas Violating Standards in 1990:	33 million	44 million
in 2000:	35 million	48 million
# of Violations of WHO - Suggested Standard in 1990:	315	490
in 2000:	328	576

Although it is difficult to isolate and quantify the health impacts of nitrogen dioxide, we estimate that the UAW proposal would result in 30% more days of restricted activity due to respiratory disease in children than would the EPA recommendation in 1990 (50% more days in the year 2000).

If the industry is to meet the 0.4 gpm standard, it must be given a credible incentive to undertake substantial research over the next several years. Once the Senate Bill dropped 0.4 to a "research goal" status, industry research came to a halt. Ford, for example, is now spending only \$118,000 for this work. I have proposed a 1983 deadline with a NOx charge for models not meeting the standard then because (1) I believe the industry can meet that deadline and (2) the charge provides sufficient unavoidable incentive to insure that the industry will do its best to do so.*

Nonetheless, I also recommend that EPA be allowed to postpone or modify the 0.4 gpm decision in 1980. (We will have set a new nitrogen dioxide air quality standard in 1979.) This review would allow adjustment of our strategy in case either our health effects research or future engineering developments warrant it.

Costs and Economic Impacts - The standards proposed would increase sticker prices in 1983 by \$145 more per car than the UAW proposal, assuming cars are designed for maximum fuel economy to meet fuel economy standards (rather than for low initial sticker prices). \$75-95 of this is for NOx controls, and the rest is for CO. The incremental lifetime maintenance cost for the EPA proposal is about \$30 more than for the UAW proposal. These costs lead to the following economic impacts, as estimated using the forecasting model developed by Ford Motor Company:

<u>Impact by 1985</u>	<u>Proposed Administration Position</u>	<u>UAW/Dingell Position</u>	<u>Incremental Cost of Administration Position</u>
Sales loss	0.9-1.1%	0.41%	0.49%-0.69%
Jobs lost in auto industry**	22,000-27,000	10,000	12,000-17,000
Inflation	0.04%	0.02%	0.02%

Other methods of reducing emissions, especially in areas now exceeding health standards, are likely to be even more expensive. (State and local governments

* To provide flexibility in 1983-85 for particular models for which fuel-efficient controls have not been perfected in time, I recommend that starting in 1983 we allow cars which meet the 1.0 gpm level but not the 0.4 gpm level to be sold subject to a NOx charge equivalent to the economic value of not complying with the 0.4 gpm standard.

** Excludes offsetting jobs created in emissions control, after-market parts, and service industries.

strongly oppose loosening Federal motor vehicle controls for just this reason). On the other hand, emissions control, safety, and fuel economy regulations will add roughly \$1000 to the cost of an automobile by 1985.

Exemptions - To encourage diesel technology, I would support a waiver to the NOx charge for diesels which can meet the 1.0 gpm standard for 100,000 miles. I would also support allowing EPA to permit the sale in 1981 and 1982 of large diesels able to meet 1.5 gpm NOx, upon a showing of (1) a good faith effort to comply with 1.0 gpm, (2) ability to meet the applicable fuel economy standards for those years, and (3) the ability to continue to meet both fuel economy and emission standards for 100,000 miles.

Because of the special difficulties of obtaining the new electronic control systems likely to be faced by very small manufacturers, such as American Motors, which will have to buy their control systems from the other manufacturers, we should provide a one-year deferral of the 1981 standard for those firms with very low levels of worldwide sales.

Ensuring Vehicles On the Road Comply - The programs that the Federal government adopts to ensure that cars continue to meet the standards throughout their useful life could be almost as important in impact on air quality as the decision on standards. By inducing manufacturers to produce durable equipment and by ensuring that owners undertake periodic maintenance, emissions can be cut sharply.

We should support the requirement in the House version of the amendments which states that 25 cities with severe air pollution problems must achieve acceptable emissions control performance through annual auto inspections. It will be difficult administratively and politically to institute these inspection programs. Car owners will resent the intrusion on their time and (especially for owners of cars no longer under warranty) the costs involved. However, for areas violating health standards for automotive pollutants, inspection programs are a critical means of reducing emissions since all the alternatives will be at least as difficult to accomplish. More flexible options (e.g., inspections every four years, inspections only on 1978 and later model year cars, etc.) may be desirable in some cities with less severe problems. Start-up of these programs should be funded through grants to the states (cost: \$25-50 million annually for five years). We expect reductions of 42% in HC emissions, 59% in CO emissions, and 2% in gasoline consumption for cars that are inspected annually.

In addition we can protect air quality and the consumer by ensuring that emissions control equipment lasts. Car owners should be able to have failed emission control parts identified by state inspection/diagnostic stations replaced at the manufacturer's expense (during the car's first 4-5 years) with parts certified by EPA for emission performance and durability. Also, effective recalls of vehicles with faulty emissions control parts can be encouraged by requiring manufacturers to post bonds which are refunded in proportion to the number of cars actually processed.

STATIONARY SOURCES

Prevention of Significant Deterioration (PSD) - During the campaign you stated your support for a strong provision to protect ambient air which is cleaner than the minimum required to protect public health and welfare. I recommend support for a PSD provision which divides land into three classes. Each class specifies, in varying degrees of stringency, how much incremental air pollution (primarily resulting from industrial expansion) can be added in a given region. The incremental amounts allowed in the Conference Bill are reasonable. Certain pristine Federal lands would be mandated to be in the class providing the highest level of protection. The states would determine the remaining classifications.

I support one additional modification to provide certainty for energy facility siting. States should be encouraged to complete classification of their lands within 2-3 years; after that time, anyone requesting a permit for a new energy facility or for a coal conversion may rely on the classification in effect at the time of the request unless the Governor expresses an intent to change the classification within 3 months and completes action on the change within one year thereafter.

The House Bill includes a requirement that EPA issue regulations within two years to protect visibility in the cleanest areas. This is an important goal, but one with substantial unresolved questions regarding the atmospheric chemical processes, the long-distance transport of emissions, monitoring, costs, and impacts on the energy program. I support the concept of controlling emissions for industrial sources that impinge on visibility in areas of great environmental value. However, I think the broad provisions of the House Bill should be narrowed to explicitly identify the types of sources to be controlled and the areas to be protected. Moreover, the ultimate requirements must be determined after the costs and energy implications of environmental improvements are assessed. We should work closely with the Committees to see if an acceptable provision can be developed.

Growth in Areas Violating Air Quality Standards - I recommend that we ask Congress to defer action which would statutorily restrict siting of new facilities (or expansions of old facilities) in areas violating health-related air quality standards until the economic and environmental impacts of such action and of possible alternatives can be determined. In the interim, EPA's policy (the most lenient allowed by the current statute) should continue in effect. This permits a new facility to increase emissions in a "nonattainment" area if it can obtain offsetting emission reductions from facilities already there. The Congressional committees are now attempting to develop legislation to deal with this problem, including some consideration of approaches that do not require offsetting emission reductions to accompany each emission increase due

to a new facility. EPA will continue to work closely with the Congress to assess the environmental and economic impacts of the alternatives.

Compliance Date Extensions and Penalties - EPA should be allowed to extend the Act's compliance dates and charge those firms not in compliance a fee equal to the savings which result from failure to meet the new deadline, thus removing the competitive advantage of noncompliance. The House bill provides this general authority; I would propose to modify it by closing loopholes, simplifying administration, and ensuring that the penalty system is flexible enough to apply to situations where control equipment has been installed but is not operated or properly maintained.

Coal Conversion - Fuel-burning facilities converting to coal should meet primary air quality standards immediately and the state emissions limitation by 1980, as provided in the Conference bill. EPA should retain authority for certifying that converting sources will meet environmental requirements unless a state assumes the authority and makes a commitment to expedite conversion consistent with public health. EPA supports Jim Schlesinger's proposal of a five-year write-off for additional control costs should the states increase the stringency of emission standards beyond the standards the facilities are initially told they must meet, but this proposal should probably be reviewed by Treasury and submitted as part of the energy package, since including it as part of our Clean Air Act proposals would complicate Congressional Committee jurisdictions.

Emission Controls for New Facilities - New plants should be required to use best available control technology (BACT) considering cost, energy, environmental, and health effects and to meet air quality requirements without the use of stacks taller than would normally be built under good engineering practice*, as required by the Conference bill. For power plants BACT will generally be stack gas scrubbers -- a technology which industry argues is very expensive (EPA estimates an incremental \$10 billion through 1990).

CEA opposes the best available control technology requirement, saying that BACT should be used where needed to meet air quality requirements but that an inflexible BACT requirement will cause needless emissions control expenditures in other areas. While the BACT requirement will increase control costs, it will also enable new plants in the East and Midwest to burn locally available coal with scrubbers rather than bringing in low sulfur Western coal: The BACT requirement will preserve local jobs, avoiding the large economic losses of regional decline. Furthermore, it is very important that we reduce emissions growth as much as possible to preserve the air quality margins necessary to future growth. Finally, since the House and Senate have both approved the BACT requirement with little dissent, any attempt to seek reconsideration of this issue would be futile.

* Stacks taller than good engineering practice will be called tall stacks here, but this term is a bit misleading since stacks of 500-700 feet are commonly built at new power plants consistent with good engineering practice.

The tall stacks issue is highly emotional, both with environmentalists and Congressional leaders. The electric utility industry argues that, if scrubbers are installed, the alternatives to tall stacks for meeting air quality standards (e.g., washing sulfur out of coal, bringing in lower sulfur coal, more efficient scrubbers, smaller plants, locating plants in environmentally preferable locations) are unduly expensive (EPA estimates additional capital costs of \$400 million through 1990; the industry estimate is \$3.7 billion) and provide very limited environmental benefit. FEA believes that banning tall stacks may in the future preclude some siting possibilities.

On the other hand environmentalists vehemently oppose tall stacks, saying that tall stacks spread pollution without reducing it, possibly increasing atmospheric conversion of sulfur oxides to sulfates in the process. They also contend that if tall stacks are not allowed industry will face increased pressure to develop improved emissions control technology. In all likelihood, Congress will proceed with a ban on the use of tall stacks regardless of the Administration's position. While I would want to keep an open mind if use of tall stacks is later determined to be essential for siting certain types of energy facilities and if new information shows that they would not adversely affect public health, I recommend that we oppose use of this technique at this time.

(You might remember that tall stacks were used in Georgia as a means of complying with the Clean Air Act without the use of best available control technology. The courts have since overturned this policy, although use of tall stacks with BACT is still currently legal.)

THE WHITE HOUSE
WASHINGTON

April 15, 1977

*Stu & Tim - Set up
mtg at 1:30
Sat.*

J.C.

MEMORANDUM FOR THE PRESIDENT

FROM STU EIZENSTAT
KITTY SCHIRMER

Stu

SUBJECT EPA MEMO ON AMENDMENTS TO THE CLEAN AIR ACT

This will summarize Doug Costle's recommendations and will provide my comments. I suggest, however, that you review the longer memorandum since these issues are both complicated and controversial. After you have had a chance to review this material a short meeting on these proposals with Costle, Schlesinger & Schultze may be helpful.

1. MOBILE SOURCES

Auto emissions: Your decision is bounded by the UAW/Industry proposal on the one hand, and the more stringent Congressional (Muskie/Rogers) proposals on the other. (See table below) EPA's recommendation comes between the proposals, but closer to the Congressional standards.

- The industry and the UAW claim that more stringent standards will reduce fuel economy and increase sticker prices. They also do not believe that the stricter standards have a public health justification.
- EPA, Muskie and Rogers believe industry overstates fuel economy and sticker price estimates, and that the health data, while something less than perfect, indicate a need for the strict standards. Also, it is clear that the technology to meet these standards is available.

**Electrostatic Copy Made
for Preservation Purposes**

THE WHITE HOUSE

WASHINGTON

Date: April 13, 1977

MA

FOR ACTION:

The Vice President *attached*
Hamilton Jordan *attached* Tim Kraft
Frank Moore Charles Shultze
Jack Watson
Bert Lance
Frank Press *attached*

FOR INFORMATION:

Gha
Jody

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Doug Costle memo 4/13 re Clean Air Act Issues.

**YOUR RESPONSE MUST BE DELIVERED
TO THE STAFF SECRETARY BY:**

TIME: 4:00 P.M.

DAY: Thursday

DATE: April 14, 1977

ACTION REQUESTED:

☒ Your comments

Other:

STAFF RESPONSE:

☐ I concur.

☐ No comment.

Please note other comments below:

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the material, please telephone the Staff Secretary immediately.

Date: April 13, 1977

MEMORANDUM

FOR ACTION:

The Vice President
Hamilton Jordan Tim Kraft ✓
Frank Moore Charles Shultze
Jack Watson
Bert Lance
Frank Press

FOR INFORMATION: Charles Schultze
Jody Powell

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Doug Costle memo 4/13 re Clean Air Act Issues.

YOUR RESPONSE MUST BE DELIVERED
TO THE STAFF SECRETARY BY:

TIME: 3:00 P.M.

DAY: Thursday

DATE: April 14, 1977

ACTION REQUESTED:

☒ Your comments
Other: _____

STAFF RESPONSE:

____ I concur. ____ No comment.
Please note other comments below:

*no time
before Monday
TK*

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately. (Telephone, 7052)

THE WHITE HOUSE

WASHINGTON

April 13, 1977

MEMORANDUM FOR SENIOR STAFF

FROM

STU EIZENSTAT



SUBJECT

DOUG COSTLE'S MEMO ON THE CLEAN AIR ACT

We have just received the attached memorandum on the Clean Air Act from EPA. The President, however, is expecting to receive this Thursday evening, which makes the review time shorter than any of us would like. To try to facilitate your review of these issues, Kitty Schirmer and I would be happy to brief you on the issues discussed in Doug Costle's memo. I will have someone call your office later this afternoon to make arrangements for such a briefing if you are interested.



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

THE ADMINISTRATOR

MEMORANDUM

TO: The President

FROM: Douglas M. Costle

SUBJECT: Clean Air Act Issues

DATE: April 13, 1977

This memo outlines Administration positions I recommend you adopt on the Clean Air Act Amendments. It covers the legislation's key provisions regarding the automobile, stationary sources, coal conversion, and enforcement.

Jim Schlesinger supports these positions, as do most heads of other affected agencies. (Remaining differences are noted in this memo). Not only are these provisions consistent with the Administration's program of increased coal use, but they also provide for emissions controls that are necessary in some areas for increased coal use to be environmentally acceptable.

A strong coalition of auto manufacturers, their dealers, and the UAW oppose moving to the statutory CO (3.4 gpm) and NOx (0.4 gpm) standards, especially on a rapid schedule. Other industries strongly oppose stringent controls on coal combustion and on increased emissions from new facilities or expansion of existing ones. Many environmentalists will attack coal conversion. The Administration will have to lobby vigorously if some of these proposals, particularly those on auto standards and industrial growth in areas violating health standards are to succeed.

In view of the complexity, high visibility, and important economic and health implications of these issues, I urge that you let Jim Schlesinger and me supplement this memo with a briefing before I testify next Monday.

EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL ON ENVIRONMENTAL QUALITY
722 JACKSON PLACE, N. W.
WASHINGTON, D. C. 20006

April 14, 1977

MEMORANDUM FOR THE PRESIDENT

FROM: Charles Warren *CW.*

SUBJECT: Doug Costle's Memorandum on Clean Air Act
Amendments

We generally agree with the positions taken by EPA on Amendments to the Clean Air Act, with the following comments:

Regulating the Automobile

In our judgment you should support the final auto standards proposed by EPA because:

- ° Strict standards are required to force the development of advanced control technologies that are more effective and appear to be more durable.
- ° Less strict standards for autos would be a signal for a general slackening of efforts to clean up our air, with serious implications in terms of health and welfare in many areas of the U.S.
- ° There is little disagreement about the need for strict standards among Congressional leaders.

We do not believe, however, that the current methodologies EPA uses to project air quality with respect to hydrocarbons and oxides of nitrogen are accurate enough to support the statements made about the number of areas exceeding ambient air quality levels or the number of people exposed to serious health risks. Our own analyses differ from EPA's to a significant degree. We intend to work with EPA to develop improved methodologies for projecting air quality.

Stationary Sources

We believe that the major issue in clean air regions, particularly in the West, is visibility. The proposed PSD standards will not significantly improve, or prevent the continuing deterioration of, visibility. Therefore, we would favor a stronger commitment on the part of the Administration to dealing with this issue. EPA should agree to prepare within 18 months visibility standards and regulations for both new and existing facilities.

Date: April 13, 1977

MEMORANDUM

FOR ACTION:

The Vice President
Hamilton Jordan
Frank Moore Charles Shultze
Jack Watson
Bert Lance
Frank Press

FOR INFORMATION:

Tim Kraft
Jody Powell

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Doug Costle memo 4/13 re Clean Air Act Issues.

MARK

YOUR RESPONSE MUST BE DELIVERED
TO THE STAFF SECRETARY BY:

TIME: 3:00 P.M.

DAY: Thursday

DATE: April 14, 1977

ACTION REQUESTED:

☒ Your comments

Other:

STAFF RESPONSE:

☐ I concur.

☐ No comment.

Please note other comments below:

We are faced with twin (and sometimes mutually exclusive) goals: fulfilling the President's commitments to improved air quality to environmentalists, and maintaining close and cooperative relationships with early supporters in UAW. In light of problems, now quite public, with AFLCIO, and in light of UAW's very low level of criticisms of our policies to date, I think it imperative that we at least give the appearance of being responsive to UAW recommendations. Therefore I recommend compromises in those few areas where EPA recommendations are apparently arbitrary. On hydrocarbons, where EPA is calling for implementation by 1979 or 1980, and UAW is calling for 1980, I'd recommend we go with 1980. On CO, where health data is ambiguous, and EPA is setting 3.4 gpm standard and UAW is calling for 9.0, can't we bend slightly -- possibly to 5.0. On other standards, I think we should stick with EPA. If President agrees to compromise as suggested above, I think it is terribly important politically that we make UAW explicitly aware that we are modifying our positions to make them more consistent with their recs.

Siegel

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately. (Telephone, 7052)

EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON, D.C. 20506

April 14, 1977

MEMORANDUM FOR THE PRESIDENT

FROM: Charlie Schultze

SUBJECT: Clean Air Act Amendments

The EPA memo has three shortcomings: the overall tone of the memo, the requirement for new sources to use the best available control technology (BACT), and the provision to allow a one-year write-off of costs.

I. Overall Impact

The Administration position on the Clean Air Act Amendments will be the first major Administration statement on environmental matters. The EPA memo makes no mention of the fact that the proposed Act is largely a reaction to Congressional initiatives, rather than a considered Administration initiative. We recommend that you commission an Administration review of the appropriate techniques for setting, enforcing, and regulating air quality standards.

II. Best Available Control Technology

In the long run, CEA would like emissions standards or charges rather than installation requirements for specific technologies. If technologies are mandated without regard to costs or benefits, there could be significant inflationary effects. Literally taken, BACT would require firms to add piece after piece of additional control technology without regard to costs. We recommend that BACT without regard to cost not be endorsed as a long-term solution for reducing emissions.



III. One-Year Write-Off of Pollution Control Costs

CEA strongly ~~opposes~~ this provision. The Clean Air Act Amendments do not contain such a provision. CEA feels that the one-year write-off is overly generous and is a poor precedent for other instances where governmental policy imposes costs on business. CEA is working with Treasury and other agencies to try to resolve the issue.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF SCIENCE AND TECHNOLOGY POLICY

WASHINGTON, D.C. 20500

April 14, 1977

MEMORANDUM FOR: Stu Eizenstat Via: Rick Hutcheson
FROM : Frank Press *FP*
SUBJECT : Comments on Doug Costle's Proposal for
Amendments to the Clean Air Act

Doug Costle's memorandum is a good exposition of the issues involved in amending the Clean Air Act, and I think his recommendations are supportable, with two additions:

- . It is imperative that NOx automobile standards not have the effect of freezing engines into current technology - use of catalytic converters - or inhibiting the development of new, efficient engine types. I propose, therefore, that the exemption on page 6 be broadened to include new technology engines developed for higher efficiency. Jim Schlesinger's staff agrees with this addition.
- . The requirement to utilize the best available control technology (BACT) on stationary sources could become a disincentive for the development of improved technology for controlling coal emissions. Support for the BACT approach should be accompanied by an Administration commitment to encourage and support the improvement of this technology.

THE WHITE HOUSE

WASHINGTON

April 13, 1977

MEMORANDUM FOR RICK HUTCHESON

FROM STU EIZENSTAT 

SUBJECT DOUG COSTLE'S MEMORANDUM TO THE PRESIDENT
ON AMENDMENTS TO THE CLEAN AIR ACT

Doug Costle, the EPA Administrator, has submitted the attached decision memorandum on the Clean Air Act for the President. The President is expecting to receive it on Thursday, so it should go into senior staffing just as soon as possible. Recognizing that review time is more abbreviated than we would like, Kitty Schirmer and I would be happy to either brief or meet with any interested senior staff members on the issues addressed in the memo. If you would circulate the attached note from me along with the memo, it will help in making arrangements for such a briefing or meeting. In addition to usual senior staff, I think this should also go to Charlie Schultze and Bert Lance for their comments. Finally, this memo is quite long, and I have asked my staff to prepare a summary for the President. Since this issue is both complex and highly controversial, the longer memo should also go in to the President.

THE WHITE HOUSE

WASHINGTON

April 13, 1977

MEMORANDUM FOR SENIOR STAFF

FROM

STU EIZENSTAT



SUBJECT

DOUG COSTLE'S MEMO ON THE CLEAN AIR ACT

We have just received the attached memorandum on the Clean Air Act from EPA. The President, however, is expecting to receive this Thursday evening, which makes the review time shorter than any of us would like. To try to facilitate your review of these issues, Kitty Schirmer and I would be happy to brief you on the issues discussed in Doug Costle's memo. I will have someone call your office later this afternoon to make arrangements for such a briefing if you are interested.


THE WHITE HOUSE
WASHINGTON

April 14, 1977

TO. Rich Hutchison

For Your Information: _____

For Appropriate Handling: ✓


Robert D. Linder

THE WHITE HOUSE
WASHINGTON

*Don. Doug
Carter
Clean Air
Act.*

ACTION	FYI
<input checked="" type="checkbox"/>	MONDALE
<input type="checkbox"/>	COSTANZA
<input type="checkbox"/>	EIZENSTAT
<input checked="" type="checkbox"/>	JORDAN
<input type="checkbox"/>	LIPSHUTZ
<input checked="" type="checkbox"/>	MOORE
<input checked="" type="checkbox"/>	POWELL
<input checked="" type="checkbox"/>	WATSON

<input type="checkbox"/>	ENROLLED BILL
<input type="checkbox"/>	AGENCY REPORT
<input type="checkbox"/>	CAB DECISION
<input type="checkbox"/>	EXECUTIVE ORDER

Comments due to
Carp/Huron within
48 hours; due to
Staff Secretary
next day

<input checked="" type="checkbox"/>	FOR STAFFING <i>due Wed 3:00 PM</i>
<input checked="" type="checkbox"/>	FOR INFORMATION
<input type="checkbox"/>	FROM PRESIDENT'S OUTBOX
<input type="checkbox"/>	LOG IN/TO PRESIDENT TODAY
<input type="checkbox"/>	IMMEDIATE TURNAROUND

cc chas Warren

<input type="checkbox"/>	ARAGON
<input type="checkbox"/>	BOURNE
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<input type="checkbox"/>	BUTLER
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<input type="checkbox"/>	JAGODA
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<input checked="" type="checkbox"/>	KRAFT- <i>1st page only</i>
<input checked="" type="checkbox"/>	LANCE <i>of Coste memo</i>
<input type="checkbox"/>	LINDER
<input type="checkbox"/>	MITCHELL
<input type="checkbox"/>	POSTON
<input checked="" type="checkbox"/>	PRESS
<input type="checkbox"/>	B. RAINWATER
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4

EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL ON ENVIRONMENTAL QUALITY
722 JACKSON PLACE, N. W.
WASHINGTON, D. C. 20006

April 14, 1977

MEMORANDUM FOR THE PRESIDENT

FROM: Charles Warren *CW.*

R. L. SUBJECT: Doug Costle's Memorandum on Clean Air Act
Amendments

We generally agree with the positions taken by EPA on Amendments to the Clean Air Act, with the following comments:

Regulating the Automobile

In our judgment you should support the final auto standards proposed by EPA because:

- ° Strict standards are required to force the development of advanced control technologies that are more effective and appear to be more durable.
- ° Less strict standards for autos would be a signal for a general slackening of efforts to clean up our air, with serious implications in terms of health and welfare in many areas of the U.S.
- ° There is little disagreement about the need for strict standards among Congressional leaders.

We do not believe, however, that the current methodologies EPA uses to project air quality with respect to hydrocarbons and oxides of nitrogen are accurate enough to support the statements made about the number of areas exceeding ambient air quality levels or the number of people exposed to serious health risks. Our own analyses differ from EPA's to a significant degree. We intend to work with EPA to develop improved methodologies for projecting air quality.

Stationary Sources

We believe that the major issue in clean air regions, particularly in the West, is visibility. The proposed PSD standards will not significantly improve, or prevent the continuing deterioration of, visibility. Therefore, we would favor a stronger commitment on the part of the Administration to dealing with this issue. EPA should agree to prepare within 18 months visibility standards and regulations for both new and existing facilities.

THE WHITE HOUSE
WASHINGTON

Note to Rick Hutcheson
From: Kitty Schirmer *KS*.
Re: EPA Clean Air memo

Would you please substitute the new original of EPA's memo (attached) for the one submitted day before yesterday. The new original contains three corrections -- one for a typo and two to correct minor points which do not change the substance of any of the recommendations -- just make factual corrections. If you need an enumeration of where these changes are, give me a call.

A handwritten signature in dark ink, appearing to be 'Kitty Schirmer', followed by a long diagonal slash mark.



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

THE ADMINISTRATOR

MEMORANDUM

TO: The President

FROM: Douglas M. Costle

SUBJECT: Clean Air Act Issues

DATE: April 13, 1977

This memo outlines Administration positions I recommend you adopt on the Clean Air Act Amendments. It covers the legislation's key provisions regarding the automobile, stationary sources, coal conversion, and enforcement.

Jim Schlesinger supports these positions, as do most heads of other affected agencies. (Remaining differences are noted in this memo). Not only are these provisions consistent with the Administration's program of increased coal use, but they also provide for emissions controls that are necessary in some areas for increased coal use to be environmentally acceptable.

A strong coalition of auto manufacturers, their dealers, and the UAW oppose moving to the statutory CO (3.4 gpm) and NOx (0.4 gpm) standards, especially on a rapid schedule. Other industries strongly oppose stringent controls on coal combustion and on increased emissions from new facilities or expansion of existing ones. Many environmentalists will attack coal conversion. The Administration will have to lobby vigorously if some of these proposals, particularly those on auto standards and industrial growth in areas violating health standards are to succeed.

In view of the complexity, high visibility, and important economic and health implications of these issues, I urge that you let Jim Schlesinger and me supplement this memo with a briefing before I testify next Monday.

REGULATING THE AUTOMOBILE

Emissions Standards - I recommend the standards shown in the following table (which also shows the leading alternative proposals):

	First Model Year	Emission Standards in grams/mile(gpm)*			1985 Sticker Price Increases*****	Incremental Average Annual Maintenance
		HC	CO	NOx		
PROPOSED	1979 or 80	0.41	9.0	1.5	\$330	\$10
ADMINISTRATION	1981	0.41	3.4	1.0		
POSITION	1983	0.41	3.4	0.4**		
<u>Other Proposals Being Considered:</u>						
Rogers Bill	1980	0.41	3.4	2.0	\$330	\$10
	1981	0.41	3.4	0.4***		
Muskie Bill	1979	0.41	3.4	2.0****		
	1980	0.41	3.4	1.0	\$250	\$7
U.A.W. (Feb 77)	1980	0.41	9.0	2.0	\$185	\$7
	1982	0.41	9.0	1.0		
California Air	1977	0.41	9.0	1.5		
Resources Board	1980	0.41	9.0	1.0		
Proposal	1982	0.41	3.4	0.4	\$330	\$10

- * Each proposal in this chart would have the current standards (1.5 HC, 15 CO, 2.0 NOx) stay in effect until the first year shown.
- ** A NOx charge would be imposed for models between 1.0 and 0.4 gpm; the 0.4 gpm standard could be postponed or modified in 1980 if future health effects research or engineering developments warrant it.
- *** Waivers on NOx are possible through 1984.
- **** 10% of cars must meet the 1.0 gpm NOx standard in 1979.
- ***** Sticker prices are shown in 1977 dollars. These figures overstate the costs to consumers since sales prices are typically 12% lower than sticker prices. Roughly 55% of the sticker price increases reflect direct variable costs to meet emissions limitations, with the rest of the increases constituting dealer and manufacturer margin. The sticker price estimates in the table show the high end of the range of possible sticker price increases expected for each set of standards, assuming the use of an optimal technology with regard to fuel economy to meet all emissions control and fuel economy requirements. Auto manufacturers could alternatively build cars with lower vehicle sticker prices and worse fuel economy performance, but it is expected that in most cases the pressure of mandatory fuel economy standards will lead most manufacturers to adopt the more fuel-efficient emissions controls technologies.

I must warn you that these recommendations are in part judgmental. Many health effects cannot be quantified. Projecting the impact of alternative regulatory actions on air quality (and therefore on health) is a complex, error-prone process. Our estimates of the cost and fuel efficiency consequences of alternative approaches are relatively reliable, but these results become less certain as newer, relatively untried control equipment must be evaluated. (Thus, our cost estimates for 0.4 gpm NOx are less certain than those for 1.0 NOx.) Conservative assumptions help but do not eliminate this problem.

The following three sections explain the advantages and disadvantages of my recommendations and contrasts them to those proposed by the industry and the UAW. The UAW position is the least stringent option which will be seriously considered by the Congress. While the EPA and UAW positions differ slightly in terms of timing, the major difference is in terms of the ultimate standards required for carbon monoxide and nitrogen oxides.

Hydrocarbons - The UAW and we agree that the current statutory hydrocarbon standard for 1978 of 0.41 gpm is essential for protection of public health and should be implemented as rapidly as possible. EPA believes that this could be either 1979 or 1980, whereas the UAW recommends 1980.* At least 30 areas (with a population of 86 million) are projected to exceed the photochemical oxidant air quality standard at this level through the year 2000 even with a 0.41 standard.**

Hydrocarbons are an important precursor in the formation of photochemical oxidants. High oxidant levels are associated with aggravation of asthma and chronic lung disease, irritation of the respiratory tract in healthy adults, chest pain, headaches, increased eye irritation, and changes in lung function in healthy people.

Carbon Monoxide - I am recommending a 3.4 gpm standard for CO, but the choice between the 3.4 gpm level (supported by the Congressional committees and the environmentalists) and the 9.0 gpm level (supported by the auto companies and the UAW) is a very difficult one. The data on CO exposures and consequent health effects are incomplete and ambiguous.

* The 1980 UAW date presumably reflects the assumption that Congress will not pass the Amendments in time to allow 1979 compliance.

** Projections of air quality impacts of various emissions controls are not exact; they rest on the limited monitoring data and necessary simplifying assumptions in the air quality models. EPA has consistently used conservative assumptions and data in its analyses though, so these projections should underestimate the number and degree of violations of air quality standards.

Exposure to moderately high CO-levels can affect both the central nervous system and the cardiovascular system. The chief quantifiable advantage of the 3.4 gpm standard is a reduction in the number of angina attacks. Moderately high CO levels may also affect those suffering from heart disease and from emphysema. CO exposure is also associated with hearing loss, impaired reflexes, and reduced visual accuracy (which may contribute to accidents).

Since last year's Conference Bill and this year's House and Senate Bills all go to 3.4 gpm. Administration support of a 9.0 gpm standard would be seen as undercutting Muskie and Rogers and would bring the Administration under strong attack from the environmentalists, who feel very strongly on this issue.

The chief argument for stopping with a 9.0 gpm CO standard is that going to 3.4 gpm would cost over \$600 million a year, a cost many may perceive as outweighing the measured benefits. Since the CO air quality problem will be largely corrected by 1990 with either set of standards, the justification of the 3.4 gpm standard must be based on reduced health impacts from 1980 to 1990. However, since the health effects (other than angina attacks) have not been measured, it is hard to formulate such a justification. Furthermore, going to a 3.4 gpm CO standard will make it somewhat more expensive to reach 0.4 gpm NOx.

I believe that in view of the nonquantifiable health risks, the additional control costs are warranted by the reduced likelihood of exposures to health - damaging CO levels; but you should recognize that a direct comparison of the quantifiable benefits and costs may make such incremental control appear suspect.

CO Air Quality Impact

	<u>EPA</u>	<u>UAW</u>
# of Areas (of 26 modelled*) with 1985 Air Quality		
Violations -- Without I/M	14	21
— With I/M	8	11
# of 8-Hour Violations in 1985 -- Without I/M	290	709
— With I/M	47	112
# of 8-Hour Violations in 1990 -- Without I/M	86	405
— With I/M	17	63
# of 8-Hour Violations 1980-1990		
-- Without I/M	5,533	9,137
— With I/M	1,910	2,523

* Although these modelling results show only the impacts in 26 metropolitan areas, there are also a number of smaller towns that will violate CO standards in 1985 if the UAW standards are adopted but will meet these standards if the EPA standards are adopted.

Nitrogen Dioxide. Whether or not you advocate a 0.4 NOx standard will be one of the most visible and controversial components of your Clean Air Act package, even if the standard is imposed as late as 1983 with an opportunity to reconsider in 1980 and with a provision (a NOx charge) that would allow some models to meet the standard a year or two late.

Although our health data is weak, the problems are almost certainly serious. Epidemiological studies indicate that levels of nitrogen oxide commonly found in the ambient air are associated with increased occurrence of acute respiratory illness (asthma, emphysema, etc.) in exposed families, disease in children and adults, significantly decreased lung function in children, and significantly increased bronchitis in elementary school children. Animal studies have shown that high concentrations result in increased deaths from respiratory infections and structural changes comparable to emphysema in lung tissue. Emissions of nitrogen oxides (NOx) are also precursors in the formation of nitrates and photochemical oxidants, which are also associated with various lung and respiratory problems.

Evidence is mounting that a new short-term (as opposed to annual average) standard is needed for nitrogen oxides. The National Academy of Sciences has recommended that EPA develop such a standard. The World Health Organization (WHO) recently reported a number of effects from short term exposure. These include enhanced bronchial constriction in sensitive populations and increased sensitivity to respiratory infections.

Short exposures to nitrogen dioxide can be expected to be highest in areas with high NOx emissions such as along busy highways. Daily peak readings of nitrogen dioxide seem clearly related to morning and afternoon rush hours. Consequently a short term standard would focus increased attention on automobile NOx emissions even though in most regions stationary sources are the chief sources of NOx.

Comparison of the air quality impacts of the EPA and UAW proposals shows that the EPA proposal would result in a slight improvement in nationwide nitrogen oxide levels, whereas the UAW proposal will result in a deterioration from current levels.

Nitrogen Dioxide Air Quality Impact

	<u>EPA</u>	<u>UAW</u>
# of Areas (of 14 modelled) with Average Air Quality Exceeding Standard in 1990 and 2000:	4	7
% Change in Annual Average Air Quality by 1990: by 2000:	4% better 6% better	6% worse 11% worse
Population Living in Areas Violating Standards in 1990: in 2000:	33 million 35 million	44 million 48 million
# of Violations of WHO - Suggested Standard in 1990: in 2000:	315 328	490 576

Although it is difficult to isolate and quantify the health impacts of nitrogen dioxide, we estimate that the UAW proposal would result in 30% more days of restricted activity due to respiratory disease in children than would the EPA recommendation in 1990 (50% more days in the year 2000).

If the industry is to meet the 0.4 gpm standard, it must be given a credible incentive to undertake substantial research over the next several years. Once the Senate Bill dropped 0.4 to a "research goal" status, industry research came to a halt. Ford, for example, is now spending only \$118,000 for this work. I have proposed a 1983 deadline with a NOx charge for models not meeting the standard then because (1) I believe the industry can meet that deadline and (2) the charge provides sufficient unavoidable incentive to insure that the industry will do its best to do so.*

Nonetheless, I also recommend that EPA be allowed to postpone or modify the 0.4 gpm decision in 1980. (We will have set a new nitrogen dioxide air quality standard in 1979.) This review would allow adjustment of our strategy in case either our health effects research or future engineering developments warrant it.

Costs and Economic Impacts - The standards proposed would increase sticker prices in 1983 by \$145 more per car than the UAW proposal, assuming cars are designed for maximum fuel economy to meet fuel economy standards (rather than for low initial sticker prices). \$75-95 of this is for NOx controls, and the rest is for CO. The incremental lifetime maintenance cost for the EPA proposal is about \$30 more than for the UAW proposal. These costs lead to the following economic impacts, as estimated using the forecasting model developed by Ford Motor Company:

<u>Impact by 1985</u>	<u>Proposed Administration Position</u>	<u>UAW/Dingell Position</u>	<u>Incremental Cost of Administration Position</u>
Sales loss	0.9-1.1%	0.41%	0.49%-0.69%
Jobs lost in auto industry**	22,000-27,000	10,000	12,000-17,000
Inflation	0.04%	0.02%	0.02%

Other methods of reducing emissions, especially in areas now exceeding health standards, are likely to be even more expensive. (State and local governments

* To provide flexibility in 1983-85 for particular models for which fuel-efficient controls have not been perfected in time, I recommend that starting in 1983 we allow cars which meet the 1.0 gpm level but not the 0.4 gpm level to be sold subject to a NOx charge equivalent to the economic value of not complying with the 0.4 gpm standard.

** Excludes offsetting jobs created in emissions control, after-market parts, and service industries.

strongly oppose loosening Federal motor vehicle controls for just this reason). On the other hand, emissions control, safety, and fuel economy regulations will add roughly \$1000 to the cost of an automobile by 1985.

Exemptions - To encourage diesel technology, I would support a waiver to the NOx charge for diesels which can meet the 1.0 gpm standard for 100,000 miles. I would also support allowing EPA to permit the sale in 1981 and 1982 of large diesels able to meet 1.5 gpm NOx, upon a showing of (1) a good faith effort to comply with 1.0 gpm, (2) ability to meet the applicable fuel economy standards for those years, and (3) the ability to continue to meet both fuel economy and emission standards for 100,000 miles.

Because of the special difficulties of obtaining the new electronic control systems likely to be faced by very small manufacturers, such as American Motors, which will have to buy their control systems from the other manufacturers, we should provide a one-year deferral of the 1981 standard for those firms with very low levels of worldwide sales.

Ensuring Vehicles On the Road Comply - The programs that the Federal government adopts to ensure that cars continue to meet the standards throughout their useful life could be almost as important in impact on air quality as the decision on standards. By inducing manufacturers to produce durable equipment and by ensuring that owners undertake periodic maintenance, emissions can be cut sharply.

We should support the requirement in the House version of the amendments which states that 25 cities with severe air pollution problems must achieve acceptable emissions control performance through annual auto inspections. It will be difficult administratively and politically to institute these inspection programs. Car owners will resent the intrusion on their time and (especially for owners of cars no longer under warranty) the costs involved. However, for areas violating health standards for automotive pollutants, inspection programs are a critical means of reducing emissions since all the alternatives will be at least as difficult to accomplish. More flexible options (e.g., inspections every four years, inspections only on 1978 and later model year cars, etc.) may be desirable in some cities with less severe problems. Start-up of these programs should be funded through grants to the states (cost: \$25-50 million annually for five years). We expect reductions of 42% in HC emissions, 59% in CO emissions, and 2% in gasoline consumption for cars that are inspected annually.

In addition we can protect air quality and the consumer by ensuring that emissions control equipment lasts. Car owners should be able to have failed emission control parts identified by state inspection/diagnostic stations replaced at the manufacturer's expense (during the car's first 4-5 years) with parts certified by EPA for emission performance and durability. Also, effective recalls of vehicles with faulty emissions control parts can be encouraged by requiring manufacturers to post bonds which are refunded in proportion to the number of cars actually processed.

STATIONARY SOURCES

Prevention of Significant Deterioration (PSD) - During the campaign you stated your support for a strong provision to protect ambient air which is cleaner than the minimum required to protect public health and welfare. I recommend support for a PSD provision which divides land into three classes. Each class specifies, in varying degrees of stringency, how much incremental air pollution (primarily resulting from industrial expansion) can be added in a given region. The incremental amounts allowed in the Conference Bill are reasonable. Certain pristine Federal lands would be mandated to be in the class providing the highest level of protection. The states would determine the remaining classifications.

I support one additional modification to provide certainty for energy facility siting. States should be encouraged to complete classification of their lands within 2-3 years; after that time, anyone requesting a permit for a new energy facility or for a coal conversion may rely on the classification in effect at the time of the request unless the Governor expresses an intent to change the classification within 3 months and completes action on the change within one year thereafter.

The House Bill includes a requirement that EPA issue regulations within nine months to protect visibility in the cleanest areas. This is an important goal, but one with substantial unresolved questions regarding the atmospheric chemical processes, the long-distance transport of emissions, monitoring, costs, and impacts on the energy program. I support the concept of controlling emissions for industrial sources that impinge on visibility in areas of great environmental value. However, I think the broad provisions of the House Bill should be narrowed to explicitly identify the types of sources to be controlled and the areas to be protected. Moreover, the ultimate requirements must be determined after the costs and energy implications of environmental improvements are assessed. We should work closely with the Committees to see if an acceptable provision can be developed.

Growth in Areas Violating Air Quality Standards - I recommend that we ask Congress to defer action which would statutorily restrict siting of new facilities (or expansions of old facilities) in areas violating health-related air quality standards until the economic and environmental impacts of such action and of possible alternatives can be determined. In the interim, EPA's policy (the most lenient allowed by the current statute) should continue in effect. This permits a new facility to increase emissions in a "nonattainment" area if it can obtain offsetting emission reductions from facilities already there. The Congressional committees are now attempting to develop legislation to deal with this problem, including some consideration of approaches that do not require offsetting emission reductions to accompany each emission increase due

to a new facility. EPA will continue to work closely with the Congress to assess the environmental and economic impacts of the alternatives.

Compliance Date Extensions and Penalties - EPA should be allowed to extend the Act's compliance dates and charge those firms not in compliance a fee equal to the savings which result from failure to meet the new deadline, thus removing the competitive advantage of noncompliance. The House bill provides this general authority; I would propose to modify it by closing loopholes, simplifying administration, and ensuring that the penalty system is flexible enough to apply to situations where control equipment has been installed but is not operated or properly maintained.

Coal Conversion - Fuel-burning facilities converting to coal should meet primary air quality standards immediately and the state emissions limitation by 1980, as provided in the Conference bill. EPA should retain authority for certifying that converting sources will meet environmental requirements unless a state assumes the authority and makes a commitment to expedite conversion consistent with public health. EPA supports Jim Schlesinger's proposal of a one-year write-off for additional control costs should the states increase the stringency of emission standards beyond the standards the facilities are initially told they must meet, but this proposal should probably be reviewed by Treasury and submitted as part of the energy package, since including it as part of our Clean Air Act proposals would complicate Congressional Committee jurisdictions.

Emission Controls for New Facilities - New plants should be required to use best available control technology (BACT) and to meet air quality requirements without the use of stacks taller than would normally be built under good engineering practice*, as required by the Conference bill. For power plants BACT will generally be stack gas scrubbers -- a technology which industry argues is very expensive (EPA estimates an incremental \$10 billion through 1990).

CEA opposes the best available control technology requirement, saying that BACT should be used where needed to meet air quality requirements but that an inflexible BACT requirement will cause needless emissions control expenditures in other areas. While the BACT requirement will increase control costs, it will also enable new plants in the East and Midwest to burn locally available coal with scrubbers rather than bringing in low sulfur Western coal: The BACT requirement will preserve local jobs, avoiding the large economic losses of regional decline. Furthermore, it is very important that we reduce emissions growth as much as possible to preserve the air quality margins necessary to future growth. Finally, since the House and Senate have both approved the BACT requirement with little dissent, any attempt to seek reconsideration of this issue would be futile.

* Stacks taller than good engineering practice will be called tall stacks here, but this term is a bit misleading since stacks of 500-700 feet are commonly built at new power plants consistent with good engineering practice.

The tall stacks issue is highly emotional, both with environmentalists and Congressional leaders. The electric utility industry argues that, if scrubbers are installed, the alternatives to tall stacks for meeting air quality standards (e.g., washing sulfur out of coal, bringing in lower sulfur coal, more efficient scrubbers, smaller plants, locating plants in environmentally preferable locations) are unduly expensive (EPA estimates additional capital costs of \$400 million through 1990; the industry estimate is \$3.7 billion) and provide very limited environmental benefit. FEA believes that banning tall stacks may in the future preclude some siting possibilities.

On the other hand environmentalists vehemently oppose tall stacks, saying that tall stacks spread pollution without reducing it, possibly increasing atmospheric conversion of sulfur oxides to sulfates in the process. They also contend that if tall stacks are not allowed industry will face increased pressure to develop improved emissions control technology. In all likelihood, Congress will proceed with a ban on the use of tall stacks regardless of the Administration's position. While I would want to keep an open mind if use of tall stacks is later determined to be essential for siting certain types of energy facilities and if new information shows that they would not adversely affect public health, I recommend that we oppose use of this technique at this time.

(You might remember that tall stacks were used in Georgia as a means of complying with the Clean Air Act without the use of best available control technology. The courts have since overturned this policy, although use of tall stacks with BACT is still currently legal.)

THE WHITE HOUSE
WASHINGTON

April 13, 1977

MEMORANDUM FOR SENIOR STAFF

FROM

STU EIZENSTAT



SUBJECT

DOUG COSTLE'S MEMO ON THE CLEAN AIR ACT

We have just received the attached memorandum on the Clean Air Act from EPA. The President, however, is expecting to receive this Thursday evening, which makes the review time shorter than any of us would like. To try to facilitate your review of these issues, Kitty Schirmer and I would be happy to brief you on the issues discussed in Doug Costle's memo. I will have someone call your office later this afternoon to make arrangements for such a briefing if you are interested.

THE WHITE HOUSE

WASHINGTON

April 13, 1977

MEMORANDUM FOR RICK HUTCHESON

FROM STU EIZENSTAT 

SUBJECT DOUG COSTLE'S MEMORANDUM TO THE PRESIDENT
ON AMENDMENTS TO THE CLEAN AIR ACT

Doug Costle, the EPA Administrator, has submitted the attached decision memorandum on the Clean Air Act for the President. The President is expecting to receive it on Thursday, so it should go into senior staffing just as soon as possible. Recognizing that review time is more abbreviated than we would like, Kitty Schirmer and I would be happy to either brief or meet with any interested senior staff members on the issues addressed in the memo. If you would circulate the attached note from me along with the memo, it will help in making arrangements for such a briefing or meeting. In addition to usual senior staff, I think this should also go to Charlie Schultze and Bert Lance for their comments. Finally, this memo is quite long, and I have asked my staff to prepare a summary for the President. Since this issue is both complex and highly controversial, the longer memo should also go in to the President.



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

THE ADMINISTRATOR

MEMORANDUM

TO: The President

FROM: Douglas M. Costle

SUBJECT: Clean Air Act Issues

DATE: April 13, 1977

This memo outlines Administration positions I recommend you adopt on the Clean Air Act Amendments. It covers the legislation's key provisions regarding the automobile, stationary sources, coal conversion, and enforcement.

Jim Schlesinger supports these positions, as do most heads of other affected agencies. (Remaining differences are noted in this memo). Not only are these provisions consistent with the Administration's program of increased coal use, but they also provide for emissions controls that are necessary in some areas for increased coal use to be environmentally acceptable.

A strong coalition of auto manufacturers, their dealers, and the UAW oppose moving to the statutory CO (3.4 gpm) and NOx (0.4 gpm) standards, especially on a rapid schedule. Other industries strongly oppose stringent controls on coal combustion and on increased emissions from new facilities or expansion of existing ones. Many environmentalists will attack coal conversion. The Administration will have to lobby vigorously if some of these proposals, particularly those on auto standards and industrial growth in areas violating health standards are to succeed.

In view of the complexity, high visibility, and important economic and health implications of these issues, I urge that you let Jim Schlesinger and me supplement this memo with a briefing before I testify next Monday.

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REGULATING THE AUTOMOBILE

Emissions Standards - I recommend the standards shown in the following table (which also shows the leading alternative proposals):

	First Model Year	Emission Standards in grams/mile(gpm)*			1985 Sticker Price Increases*****	Incremental Average Annual Maintenance
		HC	CO	NOx		
PROPOSED	1979 or 80	0.41	9.0	1.5	\$330	\$10
ADMINISTRATION	1981	0.41	3.4	1.0		
POSITION	1983	0.41	3.4	0.4**		
Other Proposals Being Considered:						
Rogers Bill	1980	0.41	3.4	2.0	\$330	\$10
	1981	0.41	3.4	0.4***		
Muskie Bill	1979	0.41	3.4	2.0****		
	1980	0.41	3.4	1.0	\$250	\$7
U.A.W. (Feb 77)	1980	0.41	9.0	2.0	\$185	\$7
	1982	0.41	9.0	1.0		
California Air	1977	0.41	9.0	1.5		
Resources Board	1980	0.41	9.0	1.0		
Proposal	1982	0.41	3.4	0.4	\$330	\$10

- * Each proposal in this chart would have the current standards (1.5 HC, 15 CO, 2.0 NOx) stay in effect until the first year shown.
- ** A NOx charge would be imposed for models between 1.0 and 0.4 gpm; the 0.4 gpm standard could be postponed or modified in 1980 if future health effects research or engineering developments warrant it.
- *** Waivers on NOx are possible through 1984.
- **** 10% of cars must meet the 1.0 gpm NOx standard in 1979.
- ***** Sticker prices are shown in 1977 dollars. These figures overstate the costs to consumers since sales prices are typically 12% lower than sticker prices. Roughly 55% of the sticker price increases reflect direct variable costs to meet emissions limitations, with the rest of the increases constituting dealer and manufacturer margin. The sticker price estimates in the table show the high end of the range of possible sticker price increases expected for each set of standards, assuming the use of an optimal technology with regard to fuel economy to meet all emissions control and fuel economy requirements. Auto manufacturers could alternatively build cars with lower vehicle sticker prices and worse fuel economy performance, but it is expected that in most cases the pressure of mandatory fuel economy standards will lead most manufacturers to adopt the more fuel-efficient emissions controls technologies.

I must warn you that these recommendations are in part judgmental. Many health effects cannot be quantified. Projecting the impact of alternative regulatory actions on air quality (and therefore on health) is a complex, error-prone process. Our estimates of the cost and fuel efficiency consequences of alternative approaches are relatively reliable, but these results become less certain as newer, relatively untried control equipment must be evaluated. (Thus, our cost estimates for 0.4 gpm NOx are less certain than those for 1.0 NOx.) Conservative assumptions help but do not eliminate this problem.

The following three sections explain the advantages and disadvantages of my recommendations and contrasts them to those proposed by the industry and the UAW. The UAW position is the least stringent option which will be seriously considered by the Congress. While the EPA and UAW positions differ slightly in terms of timing, the major difference is in terms of the ultimate standards required for carbon monoxide and nitrogen oxides.

Hydrocarbons - The UAW and we agree that the current statutory hydrocarbon standard for 1978 of 0.41 gpm is essential for protection of public health and should be implemented as rapidly as possible. EPA believes that this could be either 1979 or 1980, whereas the UAW recommends 1980.* At least 30 areas (with a population of 86 million) are projected to exceed the photochemical oxidant air quality standard at this level through the year 2000 even with a 0.41 standard.**

Hydrocarbons are an important precursor in the formation of photochemical oxidants. High oxidant levels are associated with aggravation of asthma and chronic lung disease, irritation of the respiratory tract in healthy adults, chest pain, headaches, increased eye irritation, and changes in lung function in healthy people.

Carbon Monoxide - I am recommending a 3.4 gpm standard for CO, but the choice between the 3.4 gpm level (supported by the Congressional committees and the environmentalists) and the 9.0 gpm level (supported by the auto companies and the UAW) is a very difficult one. The data on CO exposures and consequent health effects are incomplete and ambiguous.

* The 1980 UAW date presumably reflects the assumption that Congress will not pass the Amendments in time to allow 1979 compliance.

** Projections of air quality impacts of various emissions controls are not exact; they rest on the limited monitoring data and necessary simplifying assumptions in the air quality models. EPA has consistently used conservative assumptions and data in its analyses though, so these projections should underestimate the number and degree of violations of air quality standards.

Exposure to moderately high CO-levels can affect both the central nervous system and the cardiovascular system. The chief quantifiable advantage of the 3.4 gpm standard is a reduction in the number of angina attacks. Moderately high CO levels may also affect those suffering from heart disease and from emphysema. CO exposure is also associated with hearing loss, impaired reflexes, and reduced visual accuracy (which may contribute to accidents).

Since last year's Conference Bill and this year's House and Senate Bills all go to 3.4 gpm. Administration support of a 9.0 gpm standard would be seen as undercutting Muskie and Rogers and would bring the Administration under strong attack from the environmentalists, who feel very strongly on this issue.

The chief argument for stopping with a 9.0 gpm CO standard is that going to 3.4 gpm would cost over \$600 million a year, a cost many may perceive as outweighing the measured benefits. Since the CO air quality problem will be largely corrected by 1990 with either set of standards, the justification of the 3.4 gpm standard must be based on reduced health impacts from 1980 to 1990. However, since the health effects (other than angina attacks) have not been measured, it is hard to formulate such a justification. Furthermore, going to a 3.4 gpm CO standard will make it somewhat more expensive to reach 0.4 gpm NOx.

I believe that in view of the nonquantifiable health risks, the additional control costs are warranted by the reduced likelihood of exposures to health - damaging CO levels; but you should recognize that a direct comparison of the quantifiable benefits and costs may make such incremental control appear suspect.

CO Air Quality Impact

	<u>EPA</u>	<u>UAW</u>
# of Areas (of 26 modelled*) with 1985 Air Quality		
Violations -- Without I/M	14	21
-- With I/M	8	11
# of 8-Hour Violations in 1985 -- Without I/M	290	709
-- With I/M	47	112
# of 8-Hour Violations in 1990 -- Without I/M	85	405
-- With I/M	17	63
# of 8-Hour Violations 1980-1990		
-- Without I/M	5,533	9,137
-- With I/M	1,910	2,523

* Although these modelling results show only the impacts in 26 metropolitan areas, there are also a number of smaller towns that will violate CO standards in 1985 if the UAW standards are adopted but will meet these standards if the EPA standards are adopted.

Nitrogen Dioxide. Whether or not you advocate a 0.4 NOx standard will be one of the most visible and controversial components of your Clean Air Act package, even if the standard is imposed as late as 1983 with an opportunity to reconsider in 1980 and with a provision (a NOx charge) that would allow some models to meet the standard a year or two late.

Although our health data is weak, the problems are almost certainly serious. Epidemiological studies indicate that levels of nitrogen oxide commonly found in the ambient air are associated with increased occurrence of acute respiratory illness (asthma, emphysema, etc.) in exposed families, disease in children and adults, significantly decreased lung function in children, and significantly increased bronchitis in elementary school children. Animal studies have shown that high concentrations result in increased deaths from respiratory infections and structural changes comparable to emphysema in lung tissue. Emissions of nitrogen oxides (NOx) are also precursors in the formation of nitrates and photochemical oxidants, which are also associated with various lung and respiratory problems.

Evidence is mounting that a new short-term (as opposed to annual average) standard is needed for nitrogen oxides. The National Academy of Sciences has recommended that EPA develop such a standard. The World Health Organization (WHO) recently reported a number of effects from short term exposure. These include enhanced bronchial constriction in sensitive populations and increased sensitivity to respiratory infections.

Short exposures to nitrogen dioxide can be expected to be highest in areas with high NOx emissions such as along busy highways. Daily peak readings of nitrogen dioxide seem clearly related to morning and afternoon rush hours. Consequently a short term standard would focus increased attention on automobile NOx emissions even though in most regions stationary sources are the chief sources of NOx.

Comparison of the air quality impacts of the EPA and UAW proposals shows that the EPA proposal would result in a slight improvement in nationwide nitrogen oxide levels, whereas the UAW proposal will result in a deterioration from current levels.

Nitrogen Dioxide Air Quality Impact

	<u>EPA</u>	<u>UAW</u>
# of Areas (of 14 modelled) with Average Air Quality Exceeding Standard in 1990 and 2000:	4	7
% Change in Annual Average Air Quality by 1990:	4% better	6% worse
by 2000:	6% better	11% worse
Population Living in Areas Violating Standards in 1990:	33 million	44 million
in 2000:	35 million	48 million
# of Violations of WHO - Suggested Standard in 1990:	315	490
in 2000:	328	576

Although it is difficult to isolate and quantify the health impacts of nitrogen dioxide, we estimate that the UAW proposal would result in 30% more days of restricted activity due to respiratory disease in children than would the EPA recommendation in 1990 (50% more days in the year 2000).

If the industry is to meet the 0.4 gpm standard, it must be given a credible incentive to undertake substantial research over the next several years. Once the Senate Bill dropped 0.4 to a "research goal" status, industry research came to a halt. Ford, for example, is now spending only \$118,000 for this work. I have proposed a 1983 deadline with a NOx charge for models not meeting the standard then because (1) I believe the industry can meet that deadline and (2) the charge provides sufficient unavoidable incentive to insure that the industry will do its best to do so.*

Nonetheless, I also recommend that EPA be allowed to postpone or modify the 0.4 gpm decision in 1980. (We will have set a new nitrogen dioxide air quality standard in 1979.) This review would allow adjustment of our strategy in case either our health effects research or future engineering developments warrant it.

Costs and Economic Impacts - The standards proposed would increase sticker prices in 1983 by \$145 more per car than the UAW proposal, assuming cars are designed for maximum fuel economy to meet fuel economy standards (rather than for low initial sticker prices). \$75-95 of this is for NOx controls, and the rest is for CO. The incremental lifetime maintenance cost for the EPA proposal is about \$30 more than for the UAW proposal. These costs lead to the following economic impacts, as estimated using the forecasting model developed by Ford Motor Company:

<u>Impact by 1985</u>	<u>Proposed Administration Position</u>	<u>UAW/Dingell Position</u>	<u>Incremental Cost of Administration Position</u>
Sales loss	0.9-1.1%	0.41%	0.49%-0.69%
Jobs lost in auto industry**	22,000-27,000	10,000	12,000-17,000
Inflation	0.04%	0.02%	0.02%

Other methods of reducing emissions, especially in areas now exceeding health standards, are likely to be even more expensive. (State and local governments

* To provide flexibility in 1983-85 for particular models for which fuel-efficient controls have not been perfected in time, I recommend that starting in 1983 we allow cars which meet the 1.0 gpm level but not the 0.4 gpm level to be sold subject to a NOx charge equivalent to the economic value of not complying with the 0.4 gpm standard.

** Excludes offsetting jobs created in emissions control, after-market parts, and service industries.

strongly oppose loosening Federal motor vehicle controls for just this reason). On the other hand, emissions control, safety, and fuel economy regulations will add roughly \$1000 to the cost of an automobile by 1985.

~~and new technology, etc.~~ ~~and new technology, etc.~~ ~~for other~~
Exemptions - To encourage diesel technology, I would support a waiver to the NOx charge for diesels which can meet the 1.0 gpm standard for 100,000 miles. I would also support allowing EPA to permit the sale in 1981 and 1982 of large diesels able to meet 1.5 gpm NOx, upon a showing of (1) a good faith effort to comply with 1.0 gpm, (2) ability to meet the applicable fuel economy standards for those years, and (3) the ability to continue to meet both fuel economy and emission standards for 100,000 miles.

Because of the special difficulties of obtaining the new electronic control systems likely to be faced by very small manufacturers, such as American Motors, which will have to buy their control systems from the other manufacturers, we should provide a one-year deferral of the 1981 standard for those firms with very low levels of worldwide sales.

Ensuring Vehicles On the Road Comply - The programs that the Federal government adopts to ensure that cars continue to meet the standards throughout their useful life could be almost as important in impact on air quality as the decision on standards. By inducing manufacturers to produce durable equipment and by ensuring that owners undertake periodic maintenance, emissions can be cut sharply.

We should support the requirement in the House version of the amendments which states that 25 cities with severe air pollution problems must achieve acceptable emissions control performance through annual auto inspections. It will be difficult administratively and politically to institute these inspection programs. Car owners will resent the intrusion on their time and (especially for owners of cars no longer under warranty) the costs involved. However, for areas violating health standards for automotive pollutants, inspection programs are a critical means of reducing emissions since all the alternatives will be at least as difficult to accomplish. More flexible options (e.g., inspections every four years, inspections only on 1978 and later model year cars, etc.) may be desirable in some cities with less severe problems. Start-up of these programs should be funded through grants to the states (cost: \$25-50 million annually for five years). We expect reductions of 42% in HC emissions, 59% in CO emissions, and 2% in gasoline consumption for cars that are inspected annually.

In addition we can protect air quality and the consumer by ensuring that emissions control equipment lasts. Car owners should be able to have failed emission control parts identified by state inspection/diagnostic stations replaced at the manufacturer's expense (during the car's first 4-5 years) with parts certified by EPA for emission performance and durability. Also, effective recalls of vehicles with faulty emissions control parts can be encouraged by requiring manufacturers to post bonds which are refunded in proportion to the number of cars actually processed.

STATIONARY SOURCES

Prevention of Significant Deterioration (PSD) - During the campaign you stated your support for a strong provision to protect ambient air which is cleaner than the minimum required to protect public health and welfare. I recommend support for a PSD provision which divides land into three classes. Each class specifies, in varying degrees of stringency, how much incremental air pollution (primarily resulting from industrial expansion) can be added in a given region. The incremental amounts allowed in the Conference Bill are reasonable. Certain pristine Federal lands would be mandated to be in the class providing the highest level of protection. The states would determine the remaining classifications.

I support one additional modification to provide certainty for energy facility siting. States should be encouraged to complete classification of their lands within 2-3 years; after that time, anyone requesting a permit for a new energy facility or for a coal conversion may rely on the classification in effect at the time of the request unless the Governor expresses an intent to change the classification within 3 months and completes action on the change within one year thereafter.

The House Bill includes a requirement that EPA issue regulations within nine months to protect visibility in the cleanest areas. This is an important goal, but one with substantial unresolved questions regarding the atmospheric chemical processes, the long-distance transport of emissions, monitoring, costs, and impacts on the energy program. I support the concept of controlling emissions for industrial sources that impinge on visibility in areas of great environmental value. However, I think the broad provisions of the House Bill should be narrowed to explicitly identify the types of sources to be controlled and the areas to be protected. Moreover, the ultimate requirements must be determined after the costs and energy implications of environmental improvements are assessed. We should work closely with the Committees to see if an acceptable provision can be developed.

Growth in Areas Violating Air Quality Standards - I recommend that we ask Congress to defer action which would statutorily restrict siting of new facilities (or expansions of old facilities) in areas violating health-related air quality standards until the economic and environmental impacts of such action and of possible alternatives can be determined. In the interim, EPA's policy (the most lenient allowed by the current statute) should continue in effect. This permits a new facility to increase emissions in a "nonattainment" area if it can obtain offsetting emission reductions from facilities already there. The Congressional committees are now attempting to develop legislation to deal with this problem, including some consideration of approaches that do not require offsetting emission reductions to accompany each emission increase due

to a new facility. EPA will continue to work closely with the Congress to assess the environmental and economic impacts of the alternatives.

Compliance Date Extensions and Penalties - EPA should be allowed to extend the Act's compliance dates and charge those firms not in compliance a fee equal to the savings which result from failure to meet the new deadline, thus removing the competitive advantage of noncompliance. The House bill provides this general authority; I would propose to modify it by closing loopholes, simplifying administration, and ensuring that the penalty system is flexible enough to apply to situations where control equipment has been installed but is not operated or properly maintained.

Coal Conversion - Fuel-burning facilities converting to coal should meet primary air quality standards immediately and the state emissions limitation by 1980, as provided in the Conference bill. EPA should retain authority for certifying that converting sources will meet environmental requirements unless a state assumes the authority and makes a commitment to expedite conversion consistent with public health. EPA supports Jim Schlesinger's proposal of a one-year write-off for additional control costs should the states increase the stringency of emission standards beyond the standards the facilities are initially told they must meet, but this proposal should probably be reviewed by Treasury and submitted as part of the energy package, since including it as part of our Clean Air Act proposals would complicate Congressional Committee jurisdictions.

Emission Controls for New Facilities - New plants should be required to use best available control technology (BACT) and to meet air quality requirements without the use of stacks taller than would normally be built under good engineering practice*, as required by the Conference bill. For power plants BACT will generally be stack gas scrubbers -- a technology which industry argues is very expensive (EPA estimates an incremental \$10 billion through 1990).

CEA opposes the best available control technology requirement, saying that BACT should be used where needed to meet air quality requirements but that an inflexible BACT requirement will cause needless emissions control expenditures in other areas. While the BACT requirement will increase control costs, it will also enable new plants in the East and Midwest to burn locally available coal with scrubbers rather than bringing in low sulfur Western coal. The BACT requirement will preserve local jobs, avoiding the large economic losses of regional decline. Furthermore, it is very important that we reduce emissions growth as much as possible to preserve the air quality margins necessary to future growth. Finally, since the House and Senate have both approved the BACT requirement with little dissent, any attempt to seek reconsideration of this issue would be futile.

* Stacks taller than good engineering practice will be called tall stacks here, but this term is a bit misleading since stacks of 500-700 feet are commonly built at new power plants consistent with good engineering practice.

The tall stacks issue is highly emotional, both with environmentalists and Congressional leaders. The electric utility industry argues that, if scrubbers are installed, the alternatives to tall stacks for meeting air quality standards (e.g., washing sulfur out of coal, bringing in lower sulfur coal, more efficient scrubbers, smaller plants, locating plants in environmentally preferable locations) are unduly expensive (EPA estimates additional capital costs of \$400 million through 1990; the industry estimate is \$3.7 billion) and provide very limited environmental benefit. FEA believes that banning tall stacks may in the future preclude some siting possibilities.

On the other hand environmentalists vehemently oppose tall stacks, saying that tall stacks spread pollution without reducing it, possibly increasing atmospheric conversion of sulfur oxides to sulfates in the process. They also contend that if tall stacks are not allowed industry will face increased pressure to develop improved emissions control technology. In all likelihood, Congress will proceed with a ban on the use of tall stacks regardless of the Administration's position. While I would want to keep an open mind if use of tall stacks is later determined to be essential for siting certain types of energy facilities and if new information shows that they would not adversely affect public health, I recommend that we oppose use of this technique at this time.

(You might remember that tall stacks were used in Georgia as a means of complying with the Clean Air Act without the use of best available control technology. The courts have since overturned this policy, although use of tall stacks with BACT is still currently legal.)

April 13, 1977

MEMORANDUM

FOR ACTION:

The Vice President
Hamilton Jordan
Frank Moore Charles Shultze
Jack Watson
Bert Lance
Frank Press ✓

FOR INFORMATION: Tim Kraft
Jody Powell

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Doug Costle memo 4/13 re Clean Air Act Issues.

YOUR RESPONSE MUST BE DELIVERED
TO THE STAFF SECRETARY BY:

TIME: 3:00 P.M.

DAY: Thursday

DATE: April 14, 1977

ACTION REQUESTED:

☒ Your comments

Other:

STAFF RESPONSE:

☐ I concur.

☐ No comment.

Please note other comments below:

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately. (Telephone, 7052)